LMS TAX Pro Software Manual for use with the 2008 LMS TAX Pro Income Tax Preparation Program 2

Before You Call… At Rhodes Computer Services / LMS TAX Pro Software, our wish is to provide you with all of the tools you should need to assist you in using your LMS TAX Pro income tax preparation software. In addition to this Operating Manual, we provide you with the following avenues of support: **Help Menus** – By pressing the **<F1>** key from any LMS TAX Pro Menu, you will bring up the **LMS TAX Pro On-Screen Help** that can be viewed while the program is open.

Tutorial Videos – Another addition to Support are the LMS TAX Pro Tutorial Videos. These videos are step-by-step instructions on how to use LMS TAX Pro in your office. These videos are great training tools for yourself and also for your employees. You can find the videos on our website by clicking the Support tab and then Tutorial Videos.

LMS TAX Pro Community Message Board – The Message Board is only for LMS TAX Pro Users, which means you will need to register with the Message Board before you can gain access to it. Go to www.LMS TAXpro.com/support and click on the Message Board link. When the Message Board displays, click on Register in the top left corner. You will be asked some basic information about you and your company; this is so we can verify that you are a LMS TAX Pro User. In less than 24 hours you will have access to the Message Board. This new feature will be a big asset to you and your company as you will be able to talk with other LMS TAX Pro Users and ask them questions, or answer the questions they have.

Internet Support – You may reach our web site at www.LMS TAXpro.com to download updates and contact our technical support staff by e-mail. You may also search our online database of technical support issues. **Fax Machine –** Our fax machine is available 24 hours a day for software issues that you would like for us to see. **Our fax number is (706) 868-0263. We ask that before you call, please research this Reference Manual for the answer to your question. Chances are, someone else may have already asked the same question, and the answer may be found in here! Also, you may wish to do all of the simple things that you can before you call. These may include:**

ü **Turning off, and then RESTARTING your computer.**

ü **Closing, and then RESTARTING the tax program.**

ü **Checking all of the connections to your computer, including your printer, network, and modem cables.**

ü **Periodically, run the Windows Error-check and *Defragment* programs.**

ü **If you have a lot of programs that run in the background when you start your computer, you will want to disable or turn off those that you will not use. This will free up more of your computer's resources and help prevent "hang-ups" and memory errors.**

Attention – Windows Vista Users… **If you will be installing LMS TAX Pro on a Windows Vista computer, please follow the steps below:**

û **Install LMS TAX Pro**

ü **After the installation is complete, RIGHT-CLICK on the 2008 LMS TAX Pro icon** ü **LEFT-CLICK on “Properties”**

ü **Select the “Compatibility” tab**

ü **Locate the “Privilege Level” section and check the box “Run this program as an Administrator”**

ü **Click “OK”**

ü **DOUBLE-CLICK the LMS TAX Pro icon on the Windows Desktop and continue with the Configuration of the program**

Table of Contents

Chapter 16: Business Returns ***Topic Page Number***

CHAPTER 1

How to Get Around in the Program

1-1 The Opening Screen… At the top of the LMS TAX Pro Opening Screen, you will find the Menu Bar, containing seven (7) Menu Options and their related functions. One single left-click on a menu option reveals its pull-down menu. The 7 Menu Options are: **1. File Open Individual Return Open Business Return Run Puerto Rico Program Print Exit 2. Electronic Filing Indirectly thru LMS TAX Pro Direct to the IRS (*if your configuration is set up to do so)* 3. View Client Status Client Return 4. Tools Configuration Utilities Reports Client Retention 5. Hot Keys Communications Setup Macro Setup Printer Setup 6. Updates 7. Help User Manual Online Help Center Support Tutorial Videos Where's My Refund Mailing Addresses IRS Reject Codes State Reject Codes Enhancements Problem Fax Report About** 11

Figure 1. The LMS TAX Pro Opening Screen …With LMS TAX Pro, you have the choice of using your MOUSE or your KEYBOARD …

In addition to the Windows pull-down menus and the icons at the top of the screen, you will see the numbered Main Menu in the middle-right of your screen. If you would prefer to use your keyboard to access the basic program functions, you may enter the number of the desired option from your keyboard (for example, press the number _7‘ and the <Enter> key to get to the *Configuration Main Menu,* press the number _9‘ and <Enter> to get to the *Reports Menu,* and so on...)

This is the Main Menu…You may click on a menu option, or enter the number from your keyboard for the desired task, and the number will show up in the "Enter Option" box…then, press the <Enter> key to go to that selection…

You may use your **mouse** (click on the traditional Windows pull-down menus, such as File, Electronic Filing, View, etc.)…or your **keyboard** (enter the number corresponding to the menu options listed below) to work with the LMS TAX Pro tax program…

Click one of these fast-access icons to get to the four most often used sections of LMS TAX Pro …if you prefer to use your computer's mouse, you may left-click on the **menu options** at the top of the screen (*—File,ŭElectronic Filing,ŭ—View,ŭ*etc.); the **icons** at the top of the screen (*Calculator, Client Status, Support,* etc.); the **fast-access icons** in the middle of the screen (*Tax Returns, E-File, Print, Support*); or left-click the options in the numbered Main Menu. 12

A Quick-Start Overview of the *Fast-Access* Icons: Tax Returns – *Open and Edit Individual Returns* One single click with your left mouse button on the large ***"Tax Returns"*** icon enables you to begin the input process for a client. You may also begin a return by pressing the number **"1"** and **<Enter>** from your keyboard. Keep in mind that **pressing the corresponding menu item number** from your keyboard may access ***any*** menu option from ***any*** LMS TAX menu. This allows you to keep your hands on the keyboard at all times without having to switch back-and-forth between the keyboard and the mouse. ****** LMS TAX Pro Hint ****** From any LMS TAX Pro Menu, **simply pressing the <Enter> key will exit the menu**. You do not have to click "0. Exit…", or enter the number "0" from your keyboard in order to exit the menu. **E-File – *Transmit Returns*** The **Electronic Filing** option allows you to file a client's return directly to the IRS, or to use LMS TAX Pro's transmitting facilities to file the return for you (indirect filing). To transmit your electronic returns, left-click the large ***E-File*** icon from the LMS TAX Pro Opening Screen, or press ‗2' and <Enter> from your keyboard. From the Indirect Main Menu, choose **(1)Transmit Electronic Return(s) –** this will take you to the Transmission Table, where you can verify, delete, and add to the list of clients you wish to e-file. Once your clients' Social Security Numbers have been entered and verified, click the ―Transmit‖ button in the lower right corner of the screen. Follow the prompts on the screen to e-file your returns. **Print – *Print Copies of Returns*** The Print Menu option allows you to print a client's return, schedules, or any other portion of a client's tax return. To begin the print procedure: From the LMS TAX Pro Main Screen, click once with your left mouse button on the large ***'Print'*** icon. (Or you may press number three (3) on the keyboard and <Enter>.) Either action will access the **LMS TAX Pro Print Menu.** To print an individual client's return, select item number **(1)Select Individual Returns to Print** from the **Print Menu**. You should now see a screen that lists all of your clients by Social Security Number and name. To select the return you wish to print, there is no need to enter the Social Security Number; simply left-click once in the small box in the ―Selected‖ column for the client whose return you wish to print, or left-click once on the client's name. Your print options will then appear on the screen ("One Copy Federal and State", "Two Copies Federal and State", etc.). Click once with your left mouse button on a print option to highlight it, and then click the '**OK**' button. Once a print option has been selected, a check will appear in the ―Selected‖ check-box. You may then print the selected return, uncheck the client's name from printing, or choose another client's return to print. 13

Support – ***Technical Support Options*** LMS TAX Pro has developed a number of support options that can help you resolve most problems without having to make a call to the Technical Support Center. Click the **Support / Life-Saver** icon in the center of the ―LMS TAX Pro Opening Screen‖. The ―LMS TAX Pro Support Options‖ screen offers you a variety of methods to resolve issues, not only with the LMS TAX Pro program but with your client's returns as well. **Online Help Center –** Clicking this icon takes you directly to a page of the most frequently asked questions. **Support Site –** This is a direct link to the Support Page of our Web Site. You can access our Video Tutorials, Questions and Answers section, links to helpful web sites, and ―Ask an Expert‖, which allows you to complete a form and request assistance from a Technical Support Technician. **Community Message Board –** The message board is available only to LMS TAX Pro Users. Before you can gain access, you must register. Click on the Community Message Board icon and then click ―Register‖ at the top of the page. Members of the message board are able to post questions and interact with other LMS TAX Pro Users. You may post questions concerning technical or tax issues and even exchange ideas on how to improve and expand your practice. **User Manual –** Within the software User Manual, you will find the answers to many of your questions using a ―Key Word‖ search, or by using the Index. **Email Support –** This option gives you a pre-addressed e-mail template for you to use when requesting e-mail support from LMS TAX Pro. Most e-mails are answered in four hours or less. Depending on the volume of e-mails reaching our Support Center, and the complexity of your issue, some responses can take up to 24 hours.

706-868-0985 – This is the phone number to LMS TAX Pro's Technical Support Center. Use this number to speak directly to a technician. **706-868-0263 –** is our Fax Number. If you are having a problem with a form, for example, print out the form showing the error, and fax it to LMS TAX Pro.

Www.irs.gov **–** Clicking this icon will take you directly to the IRS web site home page. The Support Page will also have an icon for your RAL Bank if you are offering Bank Products to your clients. This option will take you to the home web page for your bank.

1-2 Program Features…

ü **The LMS TAX Pro tax preparation program is an extremely user-friendly program that has been designed with more than 35 years of tax preparation and electronic filing experience.**

ü **The LMS TAX Pro program is MENU DRIVEN as opposed to being "forms driven" – this increases the speed of data entry and allows you to do more returns quicker.**

ü **The LMS TAX Pro menus guide the user through the input of a tax return in an orderly sequence, following the logical flow of the 1040 form.**

ü **The LMS TAX Pro macros reduce the time required to enter a return and also help eliminate input errors.**

ü **Prior year information is carried forward from year to year based on entering the Social Security Number for the client" s return.**

ü **Installation and configuration is a quick and easy step-by-step process.**

ü **The user has the option of not having to use the mouse to navigate within the program. This allows you to keep your hands on the keyboard, making data entry quicker and more efficient.**

ü **Full networking capability is built into the software.**

CHAPTER 2

Installing Your LMS TAX Pro Software

2-1 Hardware Requirements… **Computer System**

In order for LMS TAX Pro to operate smoothly, we recommend the following as **minimum** requirements for your computer system:

û A computer with at least a Pentium II (or compatible) processor – we recommend as fast a processor as is available…along with at least 128 megabytes (MB) of RAM installed.

ü Windows 2000, Windows XP, or Windows Vista operating system. *(LMS TAX Pro and Microsoft no longer support Windows 98 or Windows Me)*

û A CD-ROM drive and at least 300 megabytes (MB) of free space on the computer's hard drive.

ü A CD/DVD burner or rewriter; a ―flash‖ drive; or a ZIP drive, for backing up tax returns.

ü Internet access via modem, cable, or DSL…WE HIGHLY RECOMMEND OBTAINING A HIGH-SPEED INTERNET CONNECTION, IF AVAILABLE IN YOUR AREA!

Printer Recommendations

We recommend any HP (Hewlett-Packard) compatible printer. When considering the purchase of a printer for your office, purchase a printer with the highest output (PPM), or printing speed, that your budget can afford. If you are printing checks for bank products in your office, we recommend using a laser printer rather than an ink-jet printer. *If a check printed on an ink-jet printer becomes damp, the ink could possibly smear or run. This could force a delay in printing your client a new replacement check.*

2-2 Installing the Federal 1040 Software…

When you receive your LMS TAX Pro 1040 CD in December, keep in mind that you are receiving the ***Federal 1040 Program only!!*** *** In January, you will need to use the **Updates Menu** to ***download your state and business programs.*** *** ***Downloading and installing your State, Business, and Update programs is discussed in detail in Chapter 4.*** **To install the Federal 1040 from the CD, follow these steps:**

ü Close any software applications that are running before beginning the installation. Errors may occur if other applications are running while you are attempting to install your LMS TAX Pro software.

ü ***If you have anti-virus software running in the background, you will want to temporarily disable it before installing your LMS TAX Pro software.*** Anti-virus software such as Norton or McAfee will often interfere with the proper installation of other programs. You can temporarily disable your anti-virus software by first finding the icon for the software in the bottom right corner of your computer screen next to your computer's clock. (This is called the System Tray, and it holds the icons for software that is running in the "background".) If you are not sure which is the correct icon, you can hold your mouse cursor over each icon for a few seconds. A yellow dialog box will pop up, telling you what each icon represents. Pass your cursor over each icon until you find the icon for your anti-virus software. You can then RIGHT-CLICK on the icon – this will bring up a small dialog box with the option to temporarily "Disable" or "Exit" the anti-virus software. When you are finished with the LMS TAX Pro installation, you may then RIGHT-CLICK on the icon once again, and "Enable" your anti-virus software.

û Insert the CD into your CD-ROM drive. After several seconds, the program should start to load automatically. If it does not, click on your Windows Start button, and then click "Computer". Find the icon for your CD-ROM drive, and double-click the icon.

ü By choosing the ―EXPRESS‖ installation, the default destination drive for the program will be your computer‘s ―C‖ drive. If you want to install the program to a drive partition other than your ―C‖ drive, choose ―CUSTOM‖. A list of available drives on your computer will be listed, and you may check the box for the desired drive.

û The installation will automatically create a shortcut to LMS TAX Pro on your desktop.

ü Once the installation is complete, you will be prompted to Restart your computer…***it is recommended that you restart at this time in order for the lines and characters on the 1040 Form to appear correctly.***

After the installation and restart are complete, you can start your LMS TAX Pro program by: (1) Double-clicking on the LMS TAX Pro icon on your Windows desktop, or… (2) Clicking on the Start button, All Programs, LMS TAX, and then clicking on the LMS TAX Pro icon. When you open the LMS TAX Pro program for the first time, you will be asked to answer a few preliminary **Configuration** questions. We will discuss **Configuration** options in more detail in **Chapter 3.**

2-3 Removing the Software…

The most efficient method of removing the LMS TAX Pro software from your computer is through the Windows Control Panel and the Programs icon. Click on the year of the LMS TAX Pro program you wish to uninstall, and follow the instructions on your computer screen. An alternative method to deleting the program follows: In Windows, you also have the option of clicking the 'Computer' icon, and then double-clicking on the icon for the drive letter that contains your LMS TAX Pro program. After you have opened the contents of this drive on the screen, you will find the LMS TAX program folder. Double-click the LMS TAX program folder, and you will see a folder labeled ―2008‖. You can right-click this folder, and then left-click on the word 'Delete' in the resulting menu box.

2-4 Prior Years' Tax Programs…

If you need earlier versions of LMS TAX Pro, you can find the three prior years by logging into your ―My Account‖ web page. There, you will find a link to download and install the 2007, 2006, and 2005 LMS TAX Pro programs. There is no need to download updates when you install a prior year version of LMS TAX Pro from the website. For example, if you download and install the 2007 LMS TAX Pro software, you have the complete program – including all Federal Updates, the Business Package, and the latest versions of all state programs.

CHAPTER 3

3-1 First-Time Configuration… **Step 1:** Double-Click the LMS TAX Pro icon on your desktop. When you first open the program, you are asked if you wish to ―*Restore the Configuration from a Backup Disk?*‖*** **Click "No" ***.** You will see the following message appear…Click ―OK‖ to proceed… **Step 2:** In this step you are asked to enter your firm information. If you have an Employer Identification Number (EIN), enter it on this screen. **Do not enter your Social Security Number (SSN) in this field!** Press the <Enter> key after filling in each field…this will take you to the next line. For example, enter the Name of your Firm, and then press the <Enter> key to get to the ―Name of Contact‖ field…after typing the Name of Contact, press <Enter> to enter the Street Address, and so on. 21

IMPORTANT: When entering the Name and Address of Your Firm, please do not enter apostrophes (‘), pound signs (#), dollar signs ($), periods (.), or any other punctuation characters. Because of the IRS restrictions for electronic filing, these characters are not accepted in a Company, or Firm name. If you attempt to place any punctuation characters in the Firm Name, you will be reminded to remove them before you can continue.

After your company information has been entered, click the **―Continue‖** button. You will be at the **Firm Information Setup Menu**. Review your entries for accuracy and click on a menu option to make any necessary changes or corrections. The *Group Code* option is for our local Rhodes Computer Services, Inc. offices, and can be left blank. You may now EXIT the Firm Information Setup Menu.

When entering Firm Information, please do not use punctuation characters…this is due to IRS electronic filing restrictions.

Step 3: The next screen asks you to enter your preparer information, beginning with a Preparer Number. You can click the ―EXIT‖ button to by-pass the preparer information section, but we *strongly recommend* that you click ―New‖ and enter at least one preparer. *It is the Preparer Code that enables your Company Information to be printed on the bottom of your clients' 1040 forms*. To begin, enter a preparer number – this can be any number from "1" to "999". Enter the preparer's SSN. You will also be prompted to enter the preparer's full name. Indicate whether or not the preparer is self-employed. Once the preparer information has been entered, the **Preparer Edit Menu** will allow you to review the information for accuracy and make any necessary changes.

If you, or your preparers, have a **Preparer Tax Identification Number (PTIN)**, select the **PTIN** Option and enter the number. This number will then be printed in place of the preparer's Social Security Number on the bottom of the 1040 forms. If you do not already have one, we strongly encourage you and your preparers to obtain a PTIN by submitting form W-7P – Application for Preparer Tax Identification Number to the IRS. This form is available online at http://www.irs.gov/formspubs/. While at the Preparer Edit Menu, you will also want to enter a **Preparer Practitioner PIN**. This is a 5-digit number that you will create (there is no registration process involved) – this number will print automatically on Form 8879, E-File Signature Authorization. The only stipulations are that it must be 5 digits and that it **cannot begin with a zero.** You will then be asked to enter additional Preparers, or to Exit the preparer input and continue.

Step 4: The next series of screen prompts are for the **bank setup**. Left-click the name of your bank to highlight it and click ―OK‖. If you are using Bank Products, you have the option to print checks in your office if you wish. In the RAL Bank Setup Menu, make sure that the option for ―Check Printing Handled By‖ is set to ―Tax Office‖. If you are located in New York City, answer YES to the question, so that your Bank Applications will be correct for an office located in New York. *Preparers located in New York City will not be able to use the Chase Bank application that can be printed by LMS TAX Pro*. You will have to use the manual applications provided by Chase. **Step 5:** The next step for configuration is the **Fees Table**. The program will calculate the tax return preparation fee from the information you enter in this table. To enter the fees for a particular form, left-click the row that corresponds to the form and when the screen prompt appears, enter your fee. For example, to enter the fee for the 1040, left-click row **16** for **Form 1040**, and enter the fee when prompted. If you are charging the same fee for a consecutive range of forms, click the ―Set Range‖ button. Enter the beginning and ending number of the range and the fee to be charged on the screen prompts. If you wish to increase or decrease your fees by a certain percentage (for instance – to increase all fees by 10%), click the ―Increase/Decrease button at the bottom of the Fee Menu. Click the ―Continue‖ button when you are finished entering your fees in order to move to the next configuration step.

Step 6: The next prompt asks if you are using a **network**. *If you answer* ***No***: You will be asked if this is the computer you will be using to communicate with RCS. ***You can only transmit from one computer to RCS and the IRS!*** *If you answer* ***Yes***: A warning message will advise you to consult your network administrator before making any entries on the following screens. LMS TAX Pro will automatically search your computer network, and you will be asked what drive will be used to store all of your electronic information for processing. Select the drive of your choice from the list that appears on the screen. You will then be asked if this is the Communication Computer…answer Yes or No…**again, bear in mind that only ONE computer in your office may be used to transmit and receive data from LMS TAX Pro.** Below is an ***example*** of the System / Network Configuration Menu as it would appear for the **Transmitting Computer** in a *typical* office network setup.

******* Important!!! Before proceeding, your computers should already be networked in Windows, and should be properly communicating with each other across your network…Please note that if your office network is not set up, or is not working properly from within Windows, our LMS TAX Pro technicians will NOT be able to assist you in setting up the LMS TAX Pro network. You will need to contact your local computer company or network administrator for assistance.*** ******** Exit the System / Network Configuration menu. If you have answered YES to ―Are You Using a Network?‖ you will be asked if you wish to share the hard drive on the Transmitting Computer. Answer ―YES‖ to this question. The program will then print an information sheet specific to your network setup. Follow the instructions on this sheet to complete your office network setup for LMS TAX Pro.

Network Configuration Menu for the Transmitting Computer…note that the **Electronic Drive** is the hard drive on which LMS TAX Pro is loaded.

Step 7: The **Path Menu** will appear next. This menu will allow you to specify or change a backup path for your client data. The Backup Path is automatically set to your computer's ―C‖ drive. **We highly recommend that you leave your Primary Backup Path set to your "C" drive**. This will help our support technicians if you should happen to call in for help. If you wish to change your Secondary Backup Path, you may select this option and choose an alternative from the pick-list that appears on the screen. All of your tax return data is backed up to the master databases on your computer's local hard drive as well as the backup directory on your Transmitting Computer if you are using a network. We recommend that you backup your returns to a USB ―flash‖ drive or to a Zip Drive in the event you have a hard drive failure. The program will automatically backup each tax return that you are working on to your designated backup path, as you exit the client's return. The Secondary Backup Path option allows you to designate an additional backup drive if you wish. This will create two simultaneous backups of each tax return as you exit the client's return. **At this time, the program will not backup your data directly to a CD-ROM drive. You will need to use your CD burning software to copy your LMS TAX Pro data to a CD. Step 8:** If you used LMS TAX Pro last year, set the **Prior Path** to the location of last year's tax data on your computer. The program will look to this path when you enter a client's SSN upon starting a tax return. If the prior year information is found, you will be asked if you wish to create a new return using last year's personal data. **Step 9:** LMS TAX Pro allows you to setup *macros* that will reduce the number of keystrokes when entering a return. (Macros hold common information that will be frequently used.) If you select ―YES‖, you will be given the chance to enter the most common employers, childcare providers, and payers of interest and dividends. The *screen display* however, is limited to the first twenty (20) items entered in the system. If you used LMS TAX Pro last year, you will be able to pull the macro data from last year's configuration. *This is the last step to the configuration process.* ***Make sure that your System Date is Correct, or your electronically filed returns will reject****!! The program will automatically exit, save the configuration, and take you back to your Windows desktop. You are now ready to prepare tax returns!* 26

3-2 Personalizing Configuration… If you wish, you can later change several options in the LMS TAX Pro configuration to suit your own personal taste. You may also need to change your configuration from time-to-time if you make changes to your system (for example, the addition of a new printer). From the Windows Desktop, double-click the LMS TAX Pro icon. You will now be at the LMS TAX Pro Opening Screen. Select 'Configuration' to access the Configuration Main Menu. Review the following options to the configuration and make changes as needed: - *To Change Your LMS TAX Pro Color Scheme*: Select 'Configuration', and then **Advanced Configuration**...next, select **Display Settings, and Background Being Used** to personalize your LMS TAX Pro color scheme. - **Display Settings Menu** – *Edit Client's 1040 List – Start Return Using Client List:* When you select _Tax Returns', from the LMS TAX Opening Screen, your current list of clients will be displayed on the screen. If you wish for your client list to remain hidden from view, click the Display Settings menu option – _Edit Client's 1040 List' – _Start Return Using Client List' – this will toggle the setting to _NO', click the menu option again to return it to _YES', if you wish. **- Configuration Main Menu** – *Advanced Configuration – Database Management*: This option allows you to identify and create activities or special considerations that you want to track for your clients. For example, your client needs to file an extension. Make Activity #1 "EXTENSION". When your client comes in, you can enter the basic personal information in the program. Right click on any screen in the program, and select Database Management. When the menu is displayed, click on EXTENSION. Later in the tax season when you are ready to file the extensions, go back to the Database Management screen and print the extension report. You will have a list of all of your clients that require an extension to be filed. If you are selling insurance or investments or have other business activities, list them as an activity. If you generate a lead with the client, right click and highlight the areas of interest. This will remind you that you need to contact the client about the other services offered by your firm. This function also allows you to print mailing labels for client mailers. **- Configuration Main Menu** – *Advanced Configuration – Passwords*: You can enter a password for each of the ten (10) options in the LMS TAX Pro Opening Screen: (1)Tax Returns, (2)E-File, (3)Print, (4)Business, (5)Client Status, (6)View Returns, (7)Configuration, (8)Utilities, (9)Reports, (10)Updates. You can even set up a ―Tax Program‖ password that will require entry of a password before the LMS TAX Pro program can be opened. **- Configuration Main Menu –** *Advanced Configuration – Require EIC Due Diligence*: The EIC Due Diligence checklist is set to ―YES‖. If the taxpayer is eligible for Earned Income Credit (EIC), you will automatically be taken to the Due Diligence Checklist. This question should always be answered ―YES‖. Changing this answer to "NO" could cause you to be in violation of the IRS's EIC Due Diligence Requirements! **- Backing Up the Configuration**: Select **Configuration Utilities** from the Configuration Main Menu. Select *Copy Configuration to Disk*. If you have multiple computers in your office – ***and you are not networked*** – use the Restore Configuration from Disk option in Configuration Utilities to install the configuration to your other computers. The configuration back-up will be configured for workstations in your office. **- Delete All Tax Returns Off System**: This option in **Configuration Utilities** will allow you to use your computers to familiarize yourself and your preparers with LMS TAX Pro before you process live returns. When your training is completed, make this selection to delete the practice returns from your system. ***3-3 Company Setup…Changing Firm Information…*** From the LMS TAX Pro Opening Screen, select the Configuration Menu. The first item in the Configuration Menu is Option 1 – **Firm / ERO / Preparer Setup**. Selecting **Firm / ERO / Preparer Setup** allows you to update or verify your Firm Information from within the Company Setup Menu. Your Firm Information includes your company's name and address; company phone number; Employer Identification Number; and EFIN. The LMS TAX Group Code is for Rhodes Computer Services local offices – no information needs to be entered in this field.

3-4 Company Setup…Changing the ERO(s) Menu… Choosing the ERO(s) Menu from within the Company Setup Menu enables you to change your **Electronic Return Originator** information. You may enter additional Electronic Filer Identification Numbers, as well as update information for EFIN's that have already been entered during the initial Configuration setup. **Changing ERO Information** From the LMS TAX Opening Screen, select 'Configuration', and then **Firm / ERO / Preparer Setup**. Clicking Option 2, **ERO(s) Menu** in the Company Setup Menu brings up the following window in the LMS TAX Pro Program. Click your **EFIN** to highlight it, and then click the '**Edit**' button to change the ERO information.

The following screen will appear after clicking the Edit button: Selecting any of the above menu options allows you to change the information for that option. 28

3-5 Company Setup…Changing the Preparer(s) Menu… The Preparer's Menu in the Company Setup Menu has similar functions as the ERO's Menu. In the Preparer's Menu, you may add additional tax preparers, or change the information previously entered.

In the option to Change Preparer Information, you may enter a preparer's **PTIN (Preparer Tax Identification Number)**, in the event that the PTIN is obtained after tax season has begun. The Preparer Tax Identification Number can be applied for in order to prevent having to print the preparer's Social Security Number on the bottom of the tax forms.

3-6 Fees / Billing Setup Menu… Option Number (2) in the Configuration Main Menu is the **Fees / Billing Setup**...clicking this option will allow you to access the **Fee Setup Menu.** Selecting the **Fee Setup Menu** will allow you to enter or change the fees for a particular form. From the Fee Menu, simply click the form to enter or change a fee. When the screen prompt appears, enter your fee. If you are charging the same fee for a consecutive range of forms, click the ―Set Range‖ button. Enter the beginning and ending number of the range and the fee to be charged on the screen prompts. If you are a previous LMS TAX Pro user, you may click the button to automatically pull last year's fees, if you wish.

If you obtain a PTIN after setting up your initial configuration, enter it in the Preparer Edit Menu…

Fees / Billing Setup in the Configuration Main Menu The **Fees / Billing Questions** allow you to activate several options that may assist you in managing your tax office: - ***Fees / Billing Questions Menu –*** *Do you want to generate a printed receipt?* If you select ―Yes‖, a four-part receipt will be printed when you Mark a Return as Completed upon exiting the Receipt Menu. The LMS TAX Pro program prints a *four-part receipt on 81/2" x 11" paper.* - ***Fees / Billing Questions Menu –*** *Increment the receipt numbers automatically?* If you select No, you will be prompted to enter a receipt number each time. - ***Fees / Billing Questions Menu –*** *Last receipt number written*. On a single machine, this will be the number of the last receipt written on that particular machine. If you are using several *non-networked* machines in your office, you may enter a different receipt range on each machine. Set this to one digit *before* the number you wish to have printed on the next receipt. If you are on a network, you only have to set this number on the Communications Server. The workstations will pull their receipt numbers from the Communications Server. - ***Fees / Billing Questions Menu –*** *Recalculate Fees as per Default Fees?* If you answer this question Yes, the fees for each return will be recalculated according to the fees entered in the Fee Table every time you exit the tax return. If you answer No, the fees will remain the same as they were when you exited the return the first time. - ***Fees / Billing Questions Menu –*** *Bank Transmission Fees*. This is the fee charged by LMS TAX Pro to transmit your Bank One / Chase products. - ***Advanced Fee Setup Menu –*** *Require Electronic returns to be paid up front?* This refers to Electronic Mailed Checks and Direct Deposits. If you answer this as ―Yes‖, the return cannot be marked for transmission on the Receipt Screen until the return is marked PAID. Answering this question No will allow the return to be transmitted even though it hasn't been marked PAID. - ***Advanced Fee Setup Menu –*** *Ask why preparer fee is less than calculated?* If you select ―Yes‖, the preparer will be required to enter a reason for changing the fee for a tax return to a fee that is less than the fee calculated by the system. - ***Advanced Fee Setup Menu –*** *Ask why a return was done for free?* If you select ―Yes‖, a reason must be entered to explain why the return was done for free. - ***Advanced Fee Setup Menu –*** *Ask for last year's fee?* If you answer yes, the preparer will be prompted to enter last year's fee. - ***Advanced Fee Setup Menu –*** *Take the greater of Last Year's Fee * [0] % & Current Fee* This will compare last year's fee multiplied by the percentage you have specified against the fees in your fee table. The greater of the two fees will be charged. - ***Advanced Fee Setup Menu –*** *Do DD and EM returns for free?* This question applies to electronic returns that you transmit **directly to the IRS**. If you answer ―Yes‖, a transmission fee will not be charged for the return. ***Important: The transmission fee is automatically deducted for all Chase Bank returns.*** - ***Advanced Fee Setup Menu –*** *Require Authorization Code for Fee Change?* If you answer this question Yes, the preparer will be asked to enter a password before the fee can be changed from the system's Fee Menu calculated fee. You may want to give the password to your office manager to ensure changed fees have proper approval. 30

3-7 Electronic Filing / Bank Setup… By selecting the **Electronic Filing / Bank Setup** option from the **Configuration Main Menu**, you may enter (or change):

1. **Your Transmitter" s Electronic Filing Identification Number (EFIN)** – this number is attached to your electronically filed returns – ***it is critical that this number is correct in your Configuration, or your e-filed returns will reject!!***

2. **The bank you wish to use for Refund Anticipation Loans**

******* LMS TAX Pro Hint:*** *If your acknowledgment records indicate that you have checks to print, but the Check Printing Option is unavailable, or the program gives the message that there are "no checks to print", try the following:*

➢ *From the LMS TAX Pro Main Menu, click Option 7-Configuration* ➢ *Click Option 4-Electronic Filing / Bank Setup*

➢ *Click Option 2-Bank (RAL) Setup Menu*

➢ *Click —Check Printing Handled By*ώ*Answer "YES" to the question, "Do You Want to Print Checks in Your Office?"*

This will refresh the check-printing database in the program – you should now try to print your checks again.

3. **Your Direct Filing Information –** this information may include your processing center, your ETIN number, and your password for electronic filing directly to the IRS. Enter or change this information by pressing the number on the keyboard associated with each menu item.

3-8 Updating DCN Batch Numbers… *Select the **Electronic Filing / Bank Setup** option from the Configuration Main Menu, and then select **Last DCN Batch / Serial Numbers Used…*** **If you are on a network**, the batch and serial numbers for your tax returns will be obtained from your *Transmitting Computer* for all tax returns. If you are using multiple computers in your office and **you are not on a network**, you must assign a block of numbers to each computer to *prevent duplicate DCN numbers*. On your main transmitting computer, leave the number range at 00000 to begin. On the second computer, enter 10000, and on the third, enter 20000. These ranges allow up to 10,000 DCN numbers to be generated on each computer. You have the option to **change or update the Document Control Numbers (DCNs)** for your electronically filed tax returns. *Again, this is especially important if you have two or more computers in your office that are not connected by a network*. You will need to change the range of DCNs on one of these *stand-alone* computers to make sure that the DCNs on two different tax returns do not duplicate. ***For example, if your office has two stand-alone computers, you will need to complete the following steps on one of the computers:***

ü From the LMS TAX Pro Main Screen, select '**Configuration**' ü Click Option 4 – Electronic Filing / Bank Setup

ü Click Option 6 – Last DCN Batch / Serial Numbers Used

ü Enter **10000** in the number field on your screen and hit the <ENTER> key

Completing the above steps will help prevent your electronically filed returns from rejecting because of duplicate DCNs.

3-9 Bank Setup – River City, Republic, Santa Barbara…

If you are a River City, Republic, Santa Barbara, Refund Advantage, or other bank user you will need to input your bank information into LMS TAX Pro. From the LMS TAX Pro Main Menu select **Configuration,** then **Electronic Filing / Bank Setup,** and then choose **RAL Bank Setup Menu…**Next choose **Bank Used for RALs**…Select River City, Republic, Santa Barbara, or Refund Advantage. In some cases, LMS TAX Pro will ask you on what drive your bank software is installed. Enter in that drive letter and press the <Enter> key. That's all you have to do to configure the bank software with LMS TAX Pro. *If you have specific problems or questions about your bank software you will need to contact your bank's technical support for further assistance.*

3-10 Printer / Copies Setup…

By choosing the **Printer Copies Setup** menu item from the **Configuration Main Menu**, you will access all of the options associated with printing forms and schedules. We will discuss these options in the sections below.

3-11 Printer Setup Menu…

Select your printer and configure the correct printing port (if not already selected). To make sure that the printer you wish to use has been correctly set up, select the **Printer Setup** option from the **Print / Copies Setup** menu. This will take you to the **Printer Setup Menu**. Select the option for the **Type of Tax Printer –** the printers on your computer that are available to your Windows Operating System will appear. If your printer does not appear already highlighted in this box, click the printer you wish to use (to highlight it) and it will automatically be selected as your default printer for LMS TAX Pro. Click "OK" to close the Printer dialog box.

3-12 Editing and Creating the Print Options… **DETAILED STEPS ON CONFIGURING THE PRINT OPTIONS:**

ü Select *Printer / Copies Setup* from the Configuration Main Menu. The setup of an individual print option is explained here. **Follow the same procedures to set up the business options**.

ü Select *Edit Individual Print Options.* The **Copy Menu** will now appear on the screen.

To change a print option already set up in LMS TAX Pro, click the down-arrow to reveal the list of print options – next, select the option you wish to change… For example, select the print option for **TWO COPIES FEDERAL AND STATE**, and change the number of **CLIENT LETTERS** that will print with this option to ONE (1)

ü Note that **TWO COPIES FEDERAL AND STATE** appears in the Print Option window… ü …now, left-click on **―Client Letter‖** and enter the number **―1‖**… 33

Once the ―Done‖ button is clicked, the print option for TWO COPIES FEDERAL AND STATE will also include the print-out of ONE CLIENT LETTER. **To Create Your Own Personal Print Option:** For our example, we will create a new Print Option that will print 2 copies of the client's W-2 Forms when we select the new option from the Print Menu. Begin by clicking the down-arrow in the Print Option Window…scroll down until you find the *first print option described by a letter of the alphabet* (for example, OPTION K)…click this option to highlight it, and it will appear in the Print Option Window

You will now be asked to Enter a Print Option Title…**delete** the words ―OPTION K‖…you can now create and enter the name of a Print Option that makes sense to you…(for example, TWO COPIES OF W2)…

Scroll Down…highlight OPTION K by left-clicking with your mouse…the words, ―OPTION K‖ will now appear in the Enter Print Option Title window…

…we have now created the Print Option Title, and ―TWO COPIES OF W2‖ now appears in the Print Option Window…in the next step, we need to assign the number of copies, as well as which forms, will be printed whenever the Print Option ―TWO COPIES W2‖ is chosen…

For our example, we will *delete* the words ―OPTION K‖, and replace with ―TWO COPIES OF W2‖ 35

…for this example, since the only forms we want to print are 2 copies of the client‘s W-2s, we will scroll down until **Form W-2 (Wages and Tax)** is located in the forms list…left-click on **Form W-2** and enter the number of copies desired (for our example – 2 copies)…

…click the ―Done‖ button, and the Print Option for TWO COPIES OF W2 has been created. When you select the **Print** command from the LMS TAX Pro main screen, and choose an individual‘s return to be printed, you will now have the option to print 2 copies of the client‘s W-2s.

Scroll down to locate Form W-2 and left-click to highlight it…this will bring up the ―Number of Copies Needed‖ question…for our example, we will enter ―2‖…

3-13 Printing Mailing Labels… By choosing the option to **Print Mailing Labels** from the **Print/ Copies Setup Menu**, you may print mailing labels for all of your clients, or you may select individual clients for correspondence. *The program is configured to print on Avery # 5160 mailing label sheets (3 labels across by 10 down per sheet).* 37

3-14 Edit the Client Letter…

Edit the Client Letter…this option in the **Print/Copies Setup Menu** allows you to edit the **Client Letter** that you attach to the printed copy of the tax return given to your clients.

This Client Letter summarizes the information from the tax return that you prepared for your client. The letter also lists filing instructions, estimated payment instructions, and your own company information.

From the **Client Letter Menu**, you can select the option to **Edit Detailed Client Letter**. Your screen will look something like this:

When you have finished editing the Client Letter, click **"File"** in the top-left corner of the screen, and then **"Save"**. The changes that you made to your Client Letter will now print for all of your Client Letters to follow.

We recommend that you edit the text only. DO NOT change the information contained in <brackets>.

The information in brackets is computer code, and tells your LMS TAX Pro software what specific client information to print on the Client Letter. 38

3-15 Mailing Addresses…

Option **(4)Edit Addresses** in the **Client Letter Menu** allows you to work with the mailing addresses for Federal and State returns.

For example, select **Change Mailing Addresses.** Choosing this option brings up the State Mailing Addresses pre-programmed into LMS TAX Pro…

Left-click the state of your choice, and then click the OK button…

…highlighting the state of your choice and clicking the 'OK' button brings up the following menu: Not only does this menu allow you to *change* and update mailing addresses, but will give you the proper mailing addresses of any non-resident or part-year resident states that you may encounter. This is especially useful if you prepare a tax return involving multiple states that need to be mailed. 40

3-16 System / Network Configuration… In the **Configuration Main Menu**, Option **(6)System / Network Configuration Menu** lets you change your software settings to allow LMS TAX Pro to run in a network environment.

This menu option also allows you to indicate whether or not the computer you are working with is the computer that is used to **Transmit to LMS TAX Pro.** Below is what the menu should look like if you are **NOT using a network**, but you are on the computer used to transmit electronic returns (the **transmitting computer**).

Below is what your Network Configuration Menu should look like if you are **using a network**, AND if you are on the **computer that you will be using to transmit** your electronic returns:

Below is what your Network Configuration Menu should look like if you are **using a network**, AND if you are on a **workstation computer that does NOT transmit** your electronic returns:

Notice the letter of the drive that is mapped to the Transmitting Computer… 41

3-17 Path Menu…

In the **Configuration Main Menu**, the option for the **Path Menu** lets you change the drives to which your tax returns will be backed up – as well as making the choice whether or not to even back up your returns (although we highly recommend that you do!!).

LMS TAX Pro backs up your tax returns to your selected Backup Path **one-at-a-time as you exit each tax return** – **ONLY IF** you have the question **—Do You Want to Backup Returns?"** answered **"YES". We strongly suggest you leave this question set to "Yes".**

You may change your **Secondary Backup Path** to a USB flash drive or any additional hard drive by clicking the option for **Secondary Backup Path** and selecting the proper drive letter.

At this time, LMS TAX Pro WILL NOT automatically back up returns to a CD. The automatic backup routine will work only with ZIP, flash (USB drives), or hard drives. *To backup returns to your CD-ROM, use your CD burning software that is installed on your computer, and copy the LMS TAX folder found on your computer's hard drive.*

The **Print Path** should be left the same as your Backup Path, or if you are running a Network, the Print Path will show up as your Network Backup Path. We recommend that you do not change your Print Path unless you first contact LMS TAX Pro Technical Support. The **Prior Path** is the directory, or the path, that LMS TAX will look for in order to pull in the data from last year's clients. This path should not change unless you are converting from another company's tax software, OR unless your previous year's client data is on another hard drive.

3-18 Configuration Utilities…

The **Configuration Utilities Menu** offers several options, including: -- Copying your LMS TAX Pro System Configuration to a USB drive (also called a —flash‖ or —jump‖ drive) so that you may recall your configuration at a later time, in the event of computer failure. Or, you may also use this backup to recall your Configuration to another stand-alone computer running your LMS TAX Pro software. -- Another useful Configuration Utility Menu option is a display of your program update status. Periodically during the Tax Year, LMS TAX Pro will produce updates to the Federal and State Packages. These updates will correct minor problems in your software that may be discovered during the Tax Season. The option for **Updates Installed** allows you to tell at a glance whether your program is current and up-to-date.

CHAPTER 4

Downloading and Installing Updates

4-1 Downloading the States and Business Packages… *When you download the program, or receive your LMS TAX Pro CD in December, you are getting the Federal 1040 Program ONLY*. Several of the states do not release their Record Layouts and forms to us until after the first of the year. As soon as the state software is finished, we make these programs available for download through the **Updates Menu.**

Begin by testing your internet connection outside of the tax program. Next, click the "**Updates**" menu option from your LMS TAX Pro opening screen. You will now have access to the **Internet Update Utility Main Menu**. We recommend that you print the Instructions on Downloading, and familiarize yourself with this process.

When the State and Business Packages are made available, you will have the option to check only those states that you wish to download. **You may wish to initially download only those states that you will be using at the beginning of the Tax Season**. In other words, download your home state, and maybe a few bordering states. As the Tax Season progresses, you may find that you need additional states. These can be downloaded at any time.

4-2 Downloading Updates Through the Program… Periodically during the Tax Year, LMS TAX Pro will produce updates to the Federal and State Packages. These updates will correct minor problems in your software that may be discovered during the course of the Tax Season. You will have the option to download these updates (or “patch files”) through the Updates Menu in your program, or from the LMS TAXpro.com Support Site. Because it‘s easier and more straightforward, we strongly encourage you to utilize the Updates Menu within the program. The update download and installation process is easy, streamlined, and very user friendly. To download updates from the Internet, **make sure you have a valid Internet connection established**, and if you have a dial-up Internet connection, please have your web browser running in the background. If you have a dial-up Internet connection, you will need to first dial your Internet provider and connect your computer to your Web browser. If you have DSL or a cable modem, your Internet connection is always on. Click ‘**Updates**’ from the LMS TAX Pro Main Screen, and then click **Download/Install Updates Using C:**.

Click the ―Updates‖ Icon at the top of the screen, click ―10. Updates‖ from the menu, or enter the number ―10‖ in the ―Enter Option‖ box. 45

***** If this is your first time downloading updates, you may see a Windows Firewall Screen. ***** **If the Windows Firewall Screen, or Windows Security Alert DOES appear, be sure to click the "Unblock" button to allow your LMS TAX Pro Updates to download to your computer.** Click the ―Connect‖ button on the next screen to connect to LMS TAX Pro.

Click the option to ―Download / Install Updates…‖ 46

Once you click the “Exit” button, you will see the screen illustrated below…updates that you need to ***download*** will be colored **RED**…updates that are ready to ***install*** will be colored **BLUE**…

Left-click to place a check in the white box beside the Federal, State, or Miscellaneous Update that you need...then click the red **Download** button…once the update has successfully downloaded, the update will turn BLUE…**place a check in the white box once again**, and click the blue **Install** button. Follow the instructions on your screen to install the update. To download and install updates to the LMS TAX Pro Business Package, left-click once on the BUSINESS tab to bring it forward…again, place a check in the white box beside the program or update you need…click the **Download** button…the update will turn BLUE…re-check the box and click the **Install** button. Follow the installation instructions that appear on the screen.

Left-click the **Business** tab to bring it forward – this will allow you to download and install the Federal and State Business Packages, and the Business Package Updates…

Troubleshooting Tip: ***If you have difficulty connecting to LMS TAX Pro to download your updates, please try the following before calling Technical Support:***

o **Disable your anti-virus software** (Norton and McAfee are the most common types) – most often, this can be done by right-clicking the icon for your anti-virus program, found in your System Tray beside your clock…then, you will have the option to ―Close‖ the anti-virus program, or to temporarily ―Disable‖ it.

Right-click your computer‗s anti-virus software icon (normally found in the System Tray) and then *left-click* on ―Disable‖ or ―Close‖

o After disabling your anti-virus software, and you still have difficulty connecting, select the option in the Updates Menu for ―HTTP‖…simply left-click in the small circle beside **HTTP** to place a dot in the circle, and attempt to download the requested Updates.

O If you continue to have difficulty downloading updates, place a check in the box for **―Connect Using Alternate Host‖**, and attempt to download once again.

If you have had no success at downloading updates after trying the previously mentioned changes, you may —Download a Specific File‖ by returning to the Internet Update Utility Main Menu, and selecting the option to **Download Specific File…**

Choosing the **Download Specific File** option will allow you to select a particular update file to download to your computer. The file will then automatically install to the LMS TAX Pro software.

Click the **Select** button to bring up the list of Updates…click the Update of your choice and click **OK**…then click the **Download** button… 49

4-3 Downloading Updates from the Support Site… **We highly recommend downloading and installing your Updates through the program, but in the event that you are having difficulty, you can download and install your updates through the LMS TAX Pro web site.**

From the Main Menu, click the ―Support‖ icon…this will bring up the LMS TAX Pro Support Options… Clicking the Support Site icon will take you directly to the LMS TAX Pro technical support web page…

The LMS TAX Pro Support Site…

Look for this link on the web site to access the web page for Downloading and Installing Updates to the program… 51

The LMS TAX Pro Update Page…

Once you have accessed the Updates web page, read and follow the instructions very carefully… …(an example follows on the next few pages)… 52

First, save *Update Status A* to the **LMS TAX\2008\RCS2008\Indirect** folder on your computer‗s hard drive… Make sure you are saving the

Update Status files, and the

Update Files to the

―Indirect‖ folder…

…Save *Update Status B* to the **LMS TAX\2008\RCS2008\Indirect** folder on your computer‗s hard drive… 53

…Select the Update you need, and save the update file to the **LMS TAX\2008\RCS2008\Indirect** folder on your computer's hard drive…

Once the update has been downloaded to your computer, you must **install** the update… …from the Main Menu, select Updates by clicking the Updates icon or entering option number (10) from the menu… 54

…There is no need to ―Connect‖…simply hit the ―Exit‖ button to access the Updates Menu and install the updates that were downloaded from the LMS TAX Pro Support Site.

Select Option (2) from the Internet Update Utility Main Menu… 55

CHAPTER 5

Preparing a Tax Return **Steps in Preparing a Return 5-1 Mark the Return for Electronic Filing 5-2 Diagnostics and Warnings 5-3 Marking the Return "Ready to Transmit" 5-4** 56

5-1 Steps in Preparing a Return…

There are 3 main steps in preparing and e-filing a client's tax return: *(1) Entering the client's tax return information into the software (2) Marking the return for electronic filing (3) Transmitting the return and picking up your acknowledgments*

1040 Tax Program – *Entering a Tax Return*

Double-click the 2008 LMS TAX Pro icon on your Windows Desktop to open the LMS TAX Pro Program. From the LMS TAX Pro Main Screen, left-click on the ―Tax Returns‖ fast-access icon. You may begin by entering the Social Security Number for a new client, and then press the <Enter> key. If the return does not exist, you will be asked if you wish to create a new return. ***LMS TAX Pro Tip: *** If you used LMS TAX Pro last year, and if the return exists in last year's database, then you will be asked if you wish to "create a new return using last year's data". ******

Type the client's Social Security Number to begin a new return… …as you enter returns through the year, this area will fill with your client list.

ENTERING PERSONAL INFORMATION If information for a **new client** is being entered, you are then prompted to enter the correct **filing status** (Single, Married Filing Joint, etc.) and **date-of-birth** for the client in a mm/dd/yyyy format (For example: 03/01/1954). ***LMS TAX Pro Tip: *** Note that the Menu for Selecting the Correct Filing Status is also the entry point for the*** **1040NR** ***Program. ******

Entering Client's Name and Address Once you have entered the client's correct Filing Status, you will be prompted to enter the client's Personal Information. (Name, Address, Date of Birth, etc.) Enter the client's first name, press the **<Enter>** key; enter the client's middle initial (if any), press the **<Enter>** key; and then enter the client's last name. If the client is a "Junior", or a "III", enter the appropriate information in the "**Suffix**" field.

The **Personal Information Filing Status Menu** also contains the option to enter the **1040NR (NonResident) Program…** 58

LMS TAX Pro Tip*: *** *How to avoid a few Reject Codes when electronically filing a tax return: The IRS matches a client's **Social Security Number** with the **FIRST FOUR LETTERS OF THE LAST NAME**…in the case of a client who may have four or more names that appear on the Social Security card, the IRS generally expects the **THIRD NAME** on the card to be the Last Name. *A spouse who has not notified the Social Security Administration of her marital status will also cause a return to reject*. For example, you may have e-filed a joint return for William and Mary Jones. Mary's maiden name is Tucker. The IRS rejects the return because Mary never notified the Social Security Administration to change her last name from Tucker to her married name of Jones. You may change Mary's last name to her maiden name in the software, and re-file the tax return. Be certain that you have spelled the last name correctly (especially the first four letters), and that you have entered the client's correct Social Security number. **Foreign Address** If the client has a **Foreign Address**, be sure to place a checkmark in the box for Foreign Address….the Personal Information screen will change, and you will then be prompted to enter the names of the **Foreign City** and **Foreign Country**.

Continue to fill out the client's personal information until you have entered the phone numbers. At this point, you will be taken to the **Personal Information – Name and Address Menu**.

To enter a *Foreign Address*, click the checkbox for Foreign Address…

In the **Personal Information – Name & Address Menu**, you are given the opportunity to review the information that you have entered so far. If any changes or corrections are needed, you may simply click on the desired menu option, or enter the corresponding menu option number from your keyboard. This is also the menu to mark the client **Blind**, **Deceased**, or a **Dependent on Another Return**. Notice the menu option **Military / Foreign Address,** which allows for the entry of a **Military Address** (APO/FPO, Stateside, etc.)

Once you are satisfied that all of the Personal Information is correct, Pressing the **<Enter>** key, entering "**0**", or clicking "**Exit Menu**" will take you to the next screen prompt.

Notice the option to mark the client as a

―Dependent on Another Return‖ – if necessary… 60

Important: *If the Client's Social Security Number entered at the very beginning of data entry does not match the number from the Name and Address Menu*, *you will be asked at this point in the program to correct the Social Security Number.* You will then be asked to enter dependents in the **Dependent Information Main Screen. Entering Dependent Information** Below is the Dependent Information Input and Edit Screen.

- If you prefer using your mouse, you may left-click once on the "New" button to begin the process of entering information for the Taxpayer's dependents….

- If you prefer using the keyboard, you may press <Alt-N>, or simply press the "Insert" key on your keyboard, as illustrated on the screen-print below…

Below is an example of a filled-in Dependent Information Entry Screen: **Important:** In order to have the tax return accepted for electronic filing, you *must:*

- spell the last name correctly
- have the *correct* **Year of Birth**,
- and enter the *correct* **Social Security Number** of each dependent.

If these items are not correct, the IRS will **reject** the tax return for electronic filing purposes. Once you have pressed the <Enter> key on the Dependent Information Entry Screen, you may be asked if you wish to enter any Dependent Care Expenses. *Enter the amount at this time*. The **Dependent Information Menu** will appear. This menu will allow you to correct or change any previously entered information concerning the Taxpayer's dependent. Select the menu option for information that you may need to change, or simply press the <Enter> key to exit this menu.

IMPORTANT: Option (11) allows you to mark a child who is NOT a dependent, but who may qualify the Taxpayer for Head of Household status. Click once with the left mouse button to toggle this selection from 'NO' to 'YES' if this is the case.

Once you exit the **Dependent Information Menu,** you will be taken back to the "**Edit Dependent Information**" window. You can choose to **enter additional dependents** by clicking the **—New‖** button; change dependent information that already exists, by highlighting the dependent, and then clicking the **—Edit‖** button; or **delete** a dependent, by highlighting the dependent and clicking the **—Delete‖** button. Or, you may **exit** this screen by clicking the —Exit‖ button.

Important: As in the case of the Taxpayer's information, the IRS matches the Social Security Number of the dependent with the FIRST FOUR LETTERS OF THE DEPENDENT'S LAST NAME. If this information does not match the IRS database, the tax return will reject if electronically filed. You will next have the opportunity to enter Child Care Provider information for the dependent, if you wish. If you select —Yes‖, you will be taken to the Child Care Provider entry screen:

As with the Dependent Information Entry screen, click the —New‖ button to enter Child Care Provider information. 63

Example of a completed Child Care Provider Information Screen: Next, the Child Care Provider Edit Menu allows you to make corrections as well as add the Provider's phone number. (Entering the Child Care Provider's phone number is necessary for California state tax returns.) 64

Preparer Code Number Once you have completed the dependent information (if any), you will be asked for your **Preparer Code Number**. This number will identify you, or a member of your staff, as the preparer for this tax return and will also pull in your Company Information to the 1040 Form. Entering a Preparer Code allows the program to **print the Company Name and Address** on the bottom of the Federal 1040, and other tax forms that require your company name and address. **If the Preparer Code is left at "0", your company information will NOT print on the tax forms.** At this point, the program will return you to the **Personal Information Menu**. As with the Name and Address Menu, you will now have the opportunity to correct any mistakes that you might have made during the previous data entries. There are also a few other items worth mentioning while discussing the Personal Information Menu. **Personal Information Menu** *Other Categories of Personal Information* The final option to be discussed in the **Personal Information Menu** is the **Other Categories** option. **Allow Another Person to Discuss Return With IRS.** If the Taxpayer wishes to authorize someone other than the preparer to discuss the return with the IRS, then you would enter in the Authorized persons name, telephone and PIN. **Disaster Designation** allows you to indicate if your client is a victim of a recent hurricane (Katrina, Rita, Wilma), or other qualified natural disaster. **Military Processing** enables you to indicate if your client served, or is serving, in a Combat Zone. **Print Date** will override your computer's date when printing the tax form. The date that you enter will print on the bottom of the 1040. **Force System to Itemize Deductions** will use the *Itemized Deduction* calculation even though this result may be a lower deduction than the Standard Deduction. This sometimes can result in a tax savings on the state return; or in the case of a **Married Filing Separate** return, choosing this option is necessary when the other spouse has itemized on his or her tax return. **Are you a Non-Paid Preparer?** Enables you to indicate whether or not you are a non-paid preparer, and if you **are** a non-paid tax preparer, you may choose the non-paid category (TCE, VITA, etc.) from the pick-list of choices. Once you have exited the Personal Information Menu, you will be asked to enter W-2 information. If your client does not have a W-2, you may answer the question "NO" and you will be taken to the **LMS TAX Pro Income Menu**. From the **Income Menu**, you may choose the correct menu option to enter the type of **income** that your client may have.

Entering W-2 Information Answering “YES” to the W-2 question takes you immediately to the Form W-2 Menu. Just as with the Dependent entry and Child Care Provider entry, you will click the ―New‖ button to begin the input of your client’s W-2 information. **If the return is a joint return, you will be asked to select whether the W-2 is for a Taxpayer or a Spouse. Important:** The EIN (Employer’s Identification Number) **must be entered correctly for an electronically filed tax return**. If the EIN and the employer’s company name **do not match**, the **IRS will reject the tax return** if you attempt to electronically file the return. 66

Once the employer information has been entered, you will be prompted to enter the W-2 Wages. The LMS TAX Pro software uses **whole dollar amounts only for all fields.** Once the wages have been entered, you will be asked to enter the Federal Tax withheld – again, enter whole dollar amounts only. *The program will automatically calculate Social Security and Medicare Tax Withholdings.* Enter the state abbreviation and the state ID number from the W-2, if applicable. Notice that the wages field will automatically fill (but can be changed if necessary). You will need to enter the state tax withheld, and the **Locality** if desired.

Your cursor should now be blinking at the bottom of your screen. At this point you can make changes and corrections to the W-2 input. To change or add data to any field on the W-2 screen, you can (1)left-click with your mouse in the field you wish to change; or (2)type in the number that corresponds to that field and press the <Enter> key. For example, to change the state abbreviation code, click the drop-down beside the state abbreviation, or enter “15” from your keyboard in the ―Enter Option‖ box. To change the Federal Tax Withheld, left-click field number 2., or type the number ―2‖ and hit the <Enter> key; and so on. While the cursor is blinking at the bottom of the W-2 Input Screen, you may press the <Enter> key to exit to the **Form W-2 entry window**. Here, you will have the opportunity to enter a new W-2, or make corrections to any W-2’s that have been previously entered. Clicking the **Exit** button takes you to the **Income Menu**. 67

The Income Menu This menu allows you to enter income information in addition to W-2 income. Here, you may also make changes and corrections to any previously entered income information by selecting the appropriate menu option. Below is a discussion of some of the options found in the **Income Menu**: **Wages, Salaries, Tips…….W-2** – As mentioned before, you may use this option to enter additional W-2's, as well as change or delete W-2's that have previously been entered.

Interest or Dividends (Schedule B & Form 8815) – This option is used for entering interest and dividend income if the total is more than $1,500.00. Entering figures here will carry the amounts to Federal Schedule B. Also included in this option is the access to **Form 8815-Exclusion of Interest from Series EE and I U.S. Savings Bonds Issued After 1989**. Please visit the IRS website at http://www.irs.ustreas.gov/forms_pubs/forms.html for instructions regarding this form. **Form 1099-DIV** is used to report dividend and capital gain income from stocks and mutual funds. The following information shown on Form 1099-DIV is needed or may be used when preparing your client's return:

ü *Ordinary dividends*: this amount is entered directly on Form 1040 or on **Schedule B** (if required) and is completely taxable.

ü *Capital gain distributions*: this amount is entered directly on Form 1040 or **Schedule D (if required)** and may be eligible for a lower tax rate. There are several classes of capital gains that are eligible for different rates.

ü *Foreign tax paid*: this amount is taxes paid to a foreign government on international investments. Your client may claim a credit or itemized deduction for this amount, whichever is most advantageous.

Form 1099-INT is used to report interest income received. The following information shown on Form 1099-INT is needed when preparing your client's tax return:

ü *Interest income*: this amount is entered directly on Form 1040 or on Schedule B (if required) and is completely taxable.

ü *Early withdrawal penalty*: this amount is charged when a time investment, such as a CD, is withdrawn early. ***This amount may be used as an Adjustment to Income on Form 1040.***

ü *Interest on U.S. Savings Bonds and Treasury Obligations*: this is interest received from U.S. Savings Bonds or Treasury obligations. This interest is reported on Form 1040 or Schedule B (if required) and is generally taxable on your federal return but not taxable on your state return.

Interest or Dividends Less than $1,500 – Enter interest and dividends here if the total amount is less than $1,500. The amount will carry to the appropriate line of the Form 1040. **State and Local Refunds** – If you received a state income tax refund from a previous tax year and you itemized deductions in the prior year, this refund is generally taxable. If you did not itemize deductions in the prior year, the refund is tax-free. **Alimony Received –** Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. *It does not include child support*. Amounts you receive for child support are not income to you. Alimony is deductible by the payer and must be included in the spouse's or former spouse's income.

Business Income or Loss (Schedule C) – This option will take you directly to the Schedule C Menu to enter your client's small business or self-employment information. ***Generally, if your client has a 1099-MISC, the IRS requires that the income from the 1099-MISC be reported on Schedule C***. You'll also report your client's deductible business expenses on the Schedule C. Examples of deductible business expenses include advertising, insurance, legal and professional services, office expenses, and rent or lease expenses. You'll subtract your client's expenses from the gross receipts and the net profit or net loss will be shown on the 1040. If your client had net earnings of $400 or more, that amount will also be shown on the Schedule SE. The Schedule SE is automatically generated by the program, and figures the amount of self-employment tax that your client may owe on the business income. ***A Brief Discussion of Schedule C Expenses*****:** The LMS TAX Pro ***Schedule C Expenses Menu*** allows you to enter the dollar amounts for any expense that your client may have incurred in relation to his or her business. Choosing the option for **"Depreciation"** will bring up the menu that allows you a few choices when entering your client's depreciable assets. **The Depreciation Module**

This is the Depreciation Menu…use the **Depreciation Module** in most cases… Generally, you will choose the option for the —*Depreciation Module"* to enter your client's assets and also to choose the correct depreciation method (such as MACRS, Straight-Line, etc.) **Car and Truck Expenses:** The two most common choices for Car & Truck Expenses are: (1) the Standard Mileage Rate and (2) Actual Expenses. To enter car and truck expenses in the LMS TAX Pro Program, you will need the following information: *the date the car was placed in service; the total mileage; and the total number of business miles.* Once you have this information from your client, you can choose the option for **—Car & Truck"** in the Schedule C Expenses Menu. Selecting this option will bring up the following menu on your screen: Car and Truck Expenses Menu…

For the **Standard Mileage Rate**, select option "1." from the menu. If your client has more than one vehicle to be entered for the Standard Mileage Rate, enter the information for each vehicle in 69 the Standard Mileage Expense entry box. For **Actual Expenses**, *including depreciation*, select option "3." from the Car & Truck menu. Also choose option "3. Actual Expenses" *if your client has a leased vehicle*. Remember, there is no depreciation on a leased vehicle, so you will enter "0" (zero) for the Cost of the vehicle. Although there will be no depreciation, the program will still ask you to select a depreciation method for the leased car. Once you are past that point, you will be given the screen to enter the Actual Expenses. Again, be sure to enter figures for the Business, Commuting, and Personal mileage.

Schedule C Edit Menu – Form 8829 – Business Use of Home: Self-employed people must fill out a special form to claim the home office deduction. The Form 8829 is found in the LMS TAX Pro Schedule C Edit Menu. Your client must complete Form 8829, and the program will transfer the total to the Schedule C when the tax return is filed. Unfortunately, Schedule C-EZ, which is a much simpler form, can't be used if your client is claiming the home office deduction. The business portion of your client's home mortgage interest and real estate taxes is claimed on Form 8829 and cannot be claimed again as an itemized deduction on Schedule A of the return.

Form 8829 – Business Use of Home menu option

To determine how much your client can deduct, you must enter the number of square feet used for the home business and divide that by the total square feet of living space in your client's home. The result is the percentage of your client's home that is used for business. It determines how much of the rent, depreciation, insurance, utilities and other related expenses your client can deduct. *The amount of the home office deduction cannot be greater than the profit generated by the home-based business.* On Form 8829 you must separate all of the home-business expenses into two categories, "direct" and "indirect" expenses. The home office area is a direct expense. Other costs, utility bills, insurance, etc., are indirect expenses. Another example of a direct expense would be if your client had to paint or install carpet for that office space. An indirect expense would be mortgage interest, real estate taxes, insurance, repairs and maintenance, and utilities. For the tax savings on indirect expenses, the program applies the percentage of the home used for the business to household utilities, repairs, taxes, homeowner's insurance and the like. Basic telephone service to your client's home is not deductible. Business-related long distance charges or a second phone line dedicated to the business are.

The Income Menu – Capital Gains and Losses (Schedule D) – Use this option to report stock transactions and other sales of property. **Form 1099-B** is used to report proceeds from stock transactions.

Schedule D Menu – Other Schedule D Data – In the Edit Capital Gain/Loss Transaction Menu, the button for **Other** Schedule D data will take you to the menu entries for **Loss Carryovers** from the previous tax year; **and the Sale of Main Home Worksheet. Income Menu – Installment Sale (Form 6252) –** An installment sale is when your client sells an asset to someone who will pay in payments rather than all at once up front. If the payments extend over more than one tax year, your client may be able to report the gain using the installment method, which would allow him or her to claim only a portion of the total gain each year based on the amount actually received that year. ***Installment Sales are reported on Form 6252*** and are frequently used when businesses or business assets are sold. **Income Menu – Other Gains and Losses (Forms 4797 & 8824) –** If you sell or dispose of property used in a trade or business, it must be reported on IRS **Form 4797**, Sales of Business Property. This form is divided into several sections, which are used for different types of property. **Other Gains/Loss Menu – Form 8824 – Like-Kind Exchanges** requires a description of the relinquished and replacement properties, purchase date of the relinquished property and the date it was transferred, the date the replacement property was identified and the date it was acquired by the taxpayer. The form also requires the fair market value of the exchange properties and sales expenses. Taxable gain is then reported on Form 4797, or on Schedule D, depending on the character of the property given up. **Income Menu – IRA Pension Distributions – Forms 1099-R, 1099RRB, 8915** – This Income Menu option allows you to enter the amounts from your client's **1099-R forms.** Generally, distributions from pensions, annuities, profit-sharing and retirement plans, IRAs, insurance contracts, etc., are reported to recipients on **Form 1099-R. Rollovers:** For a distribution that has been rolled over into another retirement plan, you will need to enter **"0"** in box number **"2a. Taxable Amount"** on the Form 1099-R screen. Be sure to enter the amount that was rolled over in box **"e."**

The LMS TAX Pro software will automatically calculate the 10% penalty if the 1099-R from the Income Menu is marked with a Distribution Code of "1". 71

How to Mark Exceptions to the 10% Penalty in the LMS TAX Pro Program: On the 1099-R Information Screen, if the Distribution Code is entered as ―1‖ (Early Distribution), a question will appear on the screen asking you to select the Transfer Option to the Form 5329 (10% Penalty Form). You will select option (1) for the majority of your clients. The following question will then appear – to mark the exception to the 10% penalty for early withdrawal, choose ―YES‖… You will then be presented with a pick-list of exceptions…click on the correct exception from the list and click ―**OK**‖…enter the **Amount that Qualifies for the Exclusion** and press <Enter>…exit to the 1040 Screen. 72

Income Menu – Rents, Royalties, Entities (Sch E, K-1, Form 4835, and Form 8582 input) Rents & Royalties – Schedule E Input: Schedule E is used to report income or loss from rental real estate, royalties, Partnerships, S-Corporations, Estates and Trusts. In the **Schedule E Menu**, you will find the options to enter **K-1 input** and **Form 4835-Farm Rental Income and Loss. K-1 Input:** The LMS TAX Pro K-1 entry screens are designed to follow the K-1 form that your client will give you. Be sure to correctly designate Passive or Nonpassive income in Screen 1 under "Ordinary Income or Loss from Trade or Business Activities". If you should see the following message while entering figures for your client's K-1, the program is telling you that **you** will need to make the determination where to put this dollar amount from the K-1 onto the Form 1040:

In other words, *according to the IRS instructions for the K-1, there is more than one correct choice on the Form 1040 for the dollar amount on that particular line of the K-1.* **The LMS TAX Pro software cannot make the determination.** If you have questions regarding K-1 input, please visit the IRS website at http://www.irs.ustreas.gov/ for specific line instructions for the K-1. **Income Menu – Farm Income (Schedule F)** Farmers must report their income from farming in a variety of different ways. If your client is in the trade or business of farming, your client must complete and file Schedule F, along with IRS Form 1040. This Schedule F is very similar to Schedule C, and most of the expense deductions, tax credits, and gains and losses are computed using the same rules. **Gross income from farming** is income from cultivating the soil or raising agricultural commodities. It includes the following:

û income from operating a stock, dairy, poultry, bee, fruit, or truck farm ü income from a plantation, ranch, nursery, range, orchard, or oyster bed ü crop shares for the use of your land

û gains from the sales of draft, breeding, dairy, or sporting livestock

Gross income from farming includes farm rental income and expenses reported to the IRS, your share of a partnership's or S corporation's gross income from farming, your share of distributable net income from farming of an estate or trust, and your gains from sales of draft, breeding, dairy, or sporting livestock. Wages you receive as a farm employee or from a farm corporation are not gross income from farming. **Income Menu – Unemployment Compensation (Form 1099-G)** Your client must include in income, all unemployment compensation received. Your client should furnish you with a *Form 1099-G – Certain Government Payments* showing the amount paid. Unemployment compensation generally includes any amount received under an unemployment compensation law of the United States or of a state. 73

Income Menu – Social Security Benefits (Form 1099-SSA) Enter your client's Social Security Benefits in this option of the Income Menu and the program will automatically determine the taxable amount, if any. The program will display a Social Security Benefits Worksheet, which can also be printed. **Income Menu – Other Income – including W-2G (Gambling Winnings) and Form 2555-Foreign Earned Income** The **Other Income** option of the **Income Menu** allows for descriptions of other earned and unearned income that may not have a category described by the previous menu options. Also, you will find the entry points for **NOL Carryover from Prior Years**, Gambling Winnings, and Foreign Earned Income Exclusion (Form 2555). **Note also, the menu options for 1099-Q, Education Program Payments…and 1099-C, Cancellation of Debt.**

Once you have entered your client's total income from all sources, you will exit the Income Menu. **The program will then take you to the Form 1040 screen, shown below:**

There are 3 choices for entering additional information on the tax return from this screen: (1) Use your keyboard to enter the number of a menu option, such as 1.Personal Information, 2.Income Menu, 3.Adjustments, and so on… (2) Use the **―Form Finder‖** section to search for, or to click on a particular form… (3) Double-click a line-item on the 1040 Form (in the large white area of the screen). **Adjustments** While entering a client's return, you may have to access the **Adjustments Menu**. Below is a brief discussion of the menu options found in the Adjustments Menu: **1. Educator Expenses** – Teachers and other educators can deduct as much as $250 that they spent to purchase classroom supplies. **2. Business Expenses of Reservists** – National Guard and reserve members may qualify for special consideration. Those who travel over 100 miles from home to perform services as an armed forces reservist get to claim related business expenses on Line 24 of Form 1040 after completing Form 2106. **3. Health Savings Account (Form 8889)** – If contributions (other than employer contributions) were made to your client's health savings account, your client may be able to take this deduction.

To enter additional tax return data, you can use this screen in a number of ways: Enter a Menu Option number from your keyboard…

…use ―FORM FINDER‖ to search for, or double-click on a particular form in the list… …or double-click a line on the 1040 Form to take you to its Menu… 75

4. **Moving Expenses (Form 3903)** – This option in the Adjustments Menu allows you to enter any Moving Expenses that your client may have. Form 3903 is used to calculate your client's moving expenses to a new principal place of work within the United States or outside of the United States. There are two tests that need to be met. The first test is the 50-mile test. The distance between your client's new job location and your client's former home must be at least 50 miles more than the distance between your client's former home and your client's former job location. The second test is that your client must be a full-time employee for 39 weeks during the 12-month period immediately following your client's arrival. **5. One-Half of Self-Employment Tax** – LMS TAX Pro software will automatically calculate this figure as an adjustment to income. **6. Self-Employed SEP, SIMPLE and Qualified Plans** – To qualify for this adjustment, your client must have self-employment income. Self-employment income consists of net profits from a Schedule C or Schedule F, or guaranteed payments from a partnership. Additionally, your client must set up and fund a qualified retirement plan, such as a SEP-IRA, SIMPLE-IRA, or Keogh-type pension plan. "SEP, SIMPLE, and qualified plans offer you and your employees a tax-favored way to save for retirement. You can deduct contributions you make to the plan for your employees. If you are a sole proprietor, you can deduct contributions you make to the plan for yourself. You can also deduct trustees' fees if contributions to the plan do not cover them. Earnings on the contributions are generally tax free until you or your employees receive distributions from the plan." (from IRS Publication 560) **7. Self-Employed Health Insurance Deduction** Selecting this menu option allows you to enter your client's information for the Self-Employed Health Insurance Deduction Worksheet. **8. Penalty on Early Withdrawal of Savings** This is the penalty your client pays for withdrawing money from a savings plan, such as a certificate of deposit (CD), before its maturity date. For instance, if your client has a 2-year CD, but he or she withdraws the money after only one year, the bank may charge a penalty. You report the interest income in full, but you are allowed to take an adjustment to your client's gross income for the penalty. **9. Alimony Paid** This is money paid to a spouse or former spouse as a result of a written separation agreement or a court order in a separate maintenance agreement or divorce decree. Alimony and separate maintenance payments are taxable income to the receiver and deductible before adjusted gross income for the payer. **10. IRA Deduction** Your client may furnish you with *Form 5498-IRA Contribution Information*. **Form 5498 – Box 1 – IRA Contributions** – is for reporting contributions (deductible and nondeductible) to a Classic Individual Retirement Annuity (IRA) for the tax-reporting year. Use this menu option to enter these amounts as an adjustment to income. **11. Nondeductible IRAs (Form 8606)**

This menu option is the entry point for Form 8606, which covers: Nondeductible Contributions to IRAs; Traditional IRA Distributions Received During the Tax Year; Net Amount of Traditional 76

IRAs Converted to Roth IRAs; Distributions From Roth IRAs; and Distributions From Educational IRAs. For detailed questions concerning Form 8606, see IRS Publication 590 – Individual Retirement Arrangements. **12. Student Loan Interest Deduction** Your client may be able to deduct up to $2,500 for interest he or she paid on a qualified student loan. The deduction is claimed as an adjustment to income so your client does not need to itemize deductions on Schedule A Form 1040. A qualified student loan is a loan your client took out to pay qualified expenses. The expenses must have been:

➢ For your client, your client's spouse, or a person who was your client's dependent when the loan was taken out ➢ Paid or incurred within a reasonable time before or after your client took out the loan, and ➢ For education furnished during a period when the recipient was an eligible student.

Qualified higher education expenses are the costs of attending an eligible educational institution, including graduate school. These costs include tuition, fees, room and board, books, equipment, and other necessary expenses, such as transportation. (See IRS Publication 17 for additional information.) **13. Tuition and Fees Deduction** If your client's Adjusted Gross Income is $80,000 or less ($160,000 or less if filing a joint return) your client may be eligible to deduct up to $4,000 of tuition and fees paid to an eligible institution of higher education even if he / she doesn't itemize deductions. Before you claim the deduction on the return, check to see if one of the education credits provides a larger benefit. Your client may not claim the adjustment if the credit is claimed. **14. Domestic Production Activities** For more information on this adjustment, see the instructions for Form 8903. **15. Medical Savings Account (Form 8853)** The Medical Savings Account Form in LMS TAX Pro must be input manually. Distributions from a Medical Savings Account are reported to recipients on Form 1099-MSA. **16. Other Adjustments** The **Other Adjustments Menu** will offer up to six descriptions for other adjustments to income in addition to the adjustments previously described. Further discussion of these adjustments can be found in IRS Publication 17.

Schedule A – Itemized Deductions **1. Medical and Dental Expenses** These are your client's reasonable and necessary unreimbursed expenses relating to health care for your client and dependents. This includes, but is not limited to, expenses for doctors, dentists, and hospitals, transportation to medical care, prescriptions, and health insurance premiums. Your client can deduct the portion of his or her medical expenses with itemized deductions that exceeds 7.5 percent of your client's adjusted gross income (AGI). **2. Taxes Paid**

State Income Tax

Any income taxes that your client paid to the state are deductible. LMS TAX Pro will automatically pull the state withholdings from your client's W-2s to the Schedule A.

Real Estate Taxes

Any tax your client paid for real estate property is deductible. The tax is deductible on ALL real estate property that is owned and that your client paid the tax on during the current tax year.

Personal Property Taxes

Enter personal property tax paid by your client, but only if it is based on value alone, and it is charged on a yearly basis (for example, ad valorem tax on car tags). **3. Interest Paid** Interest paid on qualified mortgages, home equity loans and land may be reported here. This is a straight deduction without a minimum amount to meet. Your client can deduct home mortgage interest if all of the following conditions are met: (1)Your client must itemize deductions on Schedule A; (2)Your client must be legally liable for the loan; (3)The mortgage must be a secured debt on a qualified home. (See IRS Publication 936). The interest that your client paid will be reported on **Form 1098.** There are some requirements that must be met for the interest on a home mortgage to be deductible:

- The mortgage was obtained to build or purchase a home
- The mortgage must be secured by the home
- Each year, the mortgage interest must be less than the year before

Up to $100,000 of interest paid on a home equity loan is deductible. There are only two core requirements for home equity loans.

- The loan must exceed the amount still owed on the house
- The loan must be used for something other than improving the house

Points are an upfront or prepaid interest charge on a mortgage. These points are deductible in full in the year that they are incurred as long as the mortgage is used solely for the house and not any other item.

Qualified Mortgage Insurance Premiums that your client paid for ―qualified mortgage insurance‖ during 2007 in connection with home acquisition debt on a qualified home are deductible as home mortgage interest. **Investment Interest:** Interest paid on "margin" or through another form of debt to purchase investments or investment property is deductible. Investment interest is only deductible to the extent that there is investment income. If there is excess investment income, then **Form 4952** should be filled out. Remember that **Student Loan Interest** is taken as an **Adjustment to Income. 4. Gifts to Charity – Form 8283** Charitable Contributions are recorded in Itemized Deductions using this menu option. **Form 8283 – Noncash Charitable Contributions** (to be used if the total deduction is over $500) is accessed from this menu. If your client made total noncash gifts over $500 for the year, you must complete and attach to your client's tax return IRS Form 8283. If any single gift or group of similar gifts was valued at over $5,000, you must also get an appraisal of the item from a qualified appraiser. **5. Casualty and Theft Loss – Form 4684** This menu option in Itemized Deductions is the entry point for Casualty and Theft Losses. If your client has suffered the results of a theft, accident, fire, flood, or some other casualty during the year, he or she may be able to deduct some of the unreimbursed losses. **6. Deductions and Job Expenses Subject to the 2% Limit** *Deductions Subject to the 2% Limit*

û Tax preparation service fees and IRS audits

û Union dues

û Safe deposit rentals

û Investment Fees and Expenses

Employee Business Expense – Form 2106 If your client has expenses that are not reimbursed by his or her employer, you'll generally have to claim the nonreimbursed expenses on Form 2106. Then the total amount of the expenses from the 2106 is transferred to Form 1040, Schedule A, *Itemized Deductions*. The IRS gives employees the opportunity to claim some tax deductions if they spend money on the job; e.g., on business meals and entertainment, local transportation, gifts, travel, education, supplies, tools, uniforms and other customary business expenses, so long as the expenses are considered reasonable and meet certain requirements. **Other expenses.** If your client has expenses that are not reimbursed by the employer, or if the employer does not use an accountable plan, you'll generally have to claim the nonreimbursed expenses for your client on Form 2106, *Employee Business Expenses.* Then the total amount of expenses is transferred to Line 21 of Form 1040 Schedule A, *Itemized Deductions*. 79

Along with the expenses we've already mentioned, your client can deduct almost any other ordinary and necessary business expense he or she had as an employee. Some of the more common ones are discussed below. **Computers.** Your client can claim a first-year expensing election on a home computer if used more than 50 percent for business; otherwise, or for later years, your client may depreciate the business percentage of the cost. **Dues.** Your client can deduct membership fees and dues to professional societies, the chamber of commerce, boards of trade, business leagues, civic or public service organizations, real estate boards, or trade associations if membership helps your client in his or her job; however, your client can't deduct any portion of the dues that is used for lobbying or political activities. Your client's organization should tell the percentage of dues, if any, that are used for this purpose. Dues to airline clubs, social clubs, or country clubs are not deductible. **Office furniture used at home.** Even if your client can't claim the home office deduction, he or she can expense or depreciate the cost of a desk, chair, file cabinets, lighting, etc. that is used when he or she works at home, provided the usual requirements for business deductions is met. **Subscriptions.** Your client can deduct the cost of professional, trade, or business publications and newspapers. **Telephones.** The installation and monthly charges for the first telephone line your client brings into his or her home is not deductible. But if your client has a second line for business, or you can determine the cost of specific long-distance or local charges for business calls, your client can deduct those amounts even if he or she does not qualify for the home office deduction. **Work clothes and uniforms.** These are deductible only if your client must wear certain items as a condition of employment and they are not suitable for normal wear; for example, firefighters, delivery people, waiters, health care workers, and others required to wear specific uniforms may claim the deduction, but not those who are merely required to conform to a dress code, or to dress in a certain style or color. If your clothing qualifies, so does the cost of upkeep and cleaning. Your client can also deduct the cost of protective clothing or items like hard-hats, safety glasses, work gloves, steel-toed boots, etc. **Other deductions.** Here are a few more potentially deductible items that are often overlooked:

û breakage fees

û business cards

û business liability or malpractice insurance, for wrongful acts committed on the job ü damages for breach of employment contract that you pay to your former employer ü legal fees (for example, to negotiate an employment contract) ü medical exams required by the employer

û occupational taxes and license fees

û office supplies and postage

û passport fee for a business trip

û tools and other supplies used in your work

û union dues

Form 8829 – 2% Deductions and Job Expenses – Business Use of Home Worksheet If your client uses a part of his or her home for business, perhaps to perform paperwork — to store records, inventory, or samples; or even to meet customers — he or she may be able to claim a tax deduction for some of the expenses of maintaining the home.

A more detailed discussion of the Form 8829 is found in the section of this Manual that deals with Schedule C Expenses.

7. **Other Miscellaneous Deductions** *Deductions Not Subject to the 2% Limit* û Gambling losses up to the amount of gambling winnings incurred in the tax year ü Impairment related to work expenses if you have a physical or mental disability that limits your employment or your major life activities ü If you had to repay more than $3,000 of income that was included in your income for an earlier year (this is known as a "claim of right.")

Tax Computation Menu

1. Tax LMS TAX Pro automatically calculates the tax liability for a client's return based on the figures entered into the program. *The basic formula for federal income taxes is:* **total income – adjustments = Adjusted Gross Income AGI – deductions and exemptions = taxable income** Taxes are then calculated based on the amount of taxable income. From this initial tax bill, allowable credits are subtracted, and any additional taxes (like AMT [Alternative Minimum Tax], self-employment taxes, and payroll taxes on household help) are added, to arrive at the amount of taxes your client actually owes for the year. **2. Income Averaging for Farmers and Fishermen – Sch J** Beginning in 1998, a special rule was passed to permit farmers and fishermen to average their income over three years. This will allow a client who is a farmer or fisherman to pay less in taxes in an unusually good year. If your client elects to average farm or fishing `income, you must complete Schedule J and file it with the Form 1040. The program will figure the current year's tax by entering the amounts requested by the program. **3. Tax For Children Under Age 18 – Form 8615** If you are filing a return for a child under age 18 who had more than $1,700 in investment income, you must compute the child's tax using Form 8615, *Tax for Children Under Age 18 With Investment Income of More than $1,700.* **4. Child's Interest and Dividends – Form 8814** If you have a client whose child's income was in the form of interest, dividends, and capital gain distributions (e.g., from mutual funds), and the amount is more than $850 but less than $8,500, you can elect to report the income on your client's own return rather than filing a separate return for the child. The IRS allows you to treat the child's income as your client's. For a child under 18, all unearned income above $1,700 must be taxed at the parent's rate, and including the income on your client's return forces the LMS TAX Pro software to calculate this amount.

5. **Tax on Lump-Sum Distribution – Form 4972** If your client was older than 59-½ before he or she received a lump sum from a qualified employee retirement plan, your client may have some other options that can reduce his or her tax bill. To use any of these special treatments, you must complete IRS Form 4972 and attach it to the tax return. **6. Tax from Recapture of an Education Credit** After your client has filed a tax return, if he or she receives tax-free educational assistance, or a refund of an expense used to figure a higher education credit on that return, your client may have to repay all or part of the credit. The education credits must be refigured as if the assistance or refund was received in the present tax year. Subtract the amount of the refigured credit from the amount of the credit that was claimed. This is the recaptured amount to be entered on this menu option of the LMS TAX program. Read Form 8863 Instructions for more details.

Credits Menu

1. Child and Dependent Care Expenses Credit – Form 2441 To claim the credit for child and dependent care expenses, you need to fill out Parts I and II of IRS Form 2441, *Child and Dependent Care Expenses*. This form requires your client to provide identification information for both the care provider(s) and the qualifying children or disabled persons. The form helps to compute the credit by comparing allowable expenses with the client's wages and other earnings (and those of the spouse, if married). The credit amount as shown on Line 13 of the 2441 is carried to Line 48 of the Form 1040, where it will be directly subtracted from the taxes your client owes. In the Form 2441 Menu, be sure to start with the Amount Paid to Child Care Providers. For the return to be accepted electronically, this information will have to be filled out correctly. **The tax return cannot be filed electronically without a valid Employer Identification Number, or Social Security Number for the Daycare Provider.** ***How to fill out the Taxpayer's Earned Income, or the Spouse's Earned Income, on Form 2441, if one is a full-time student or disabled:*** **If you are filing a joint return for your client, and either the taxpayer or spouse was a full-time student or disabled, the Earned Income to be placed in the program for the non-working spouse is $250 per month ($500 per month if more than one qualifying person was cared for during the year). For example, if the taxpayer's wife is attending college full-time, and the couple has one child in daycare, you would enter $3000 in the LMS TAX Form 2441 menu option "(5)Spouse's Earned Income, (2)Income for Being a Student or Disabled". 2. Credit For The Elderly or the Disabled – Schedule R** A tax credit is available to certain low-income individuals if they are at least age 65 or older before the close of the tax year, and to individuals under age 65 if they are retired with a permanent and total disability and have taxable disability income from a public or private employer.

3. **Education Credits – Form 8863 Hope Credit:** If your client, his or her spouse, or a dependent for whom your client can claim an exemption was enrolled at least half-time in the first or second year of college in 2008, your client may benefit from the Hope Scholarship credit. **Lifetime Learning Credit:** Unlike the Hope Credit, students are not required to be enrolled at least half-time in one of the first two years of postsecondary education. **4. Foreign Tax Credit – Form 1116** Generally speaking, a client's Foreign Tax Credit will not exceed $300, so in most cases you will use option (1) from the Foreign Tax Credit Menu to calculate this credit. This amount will be entered in as a "plug-in" figure in the program. Your client can claim a credit for foreign income taxes, or taxes imposed by possessions of the U.S., that were paid or accrued during the tax year. For example, your client might have become liable for foreign taxes on profits from overseas operations or investments. Your client can elect to deduct these taxes instead of taking the credit, if he or she prefers, although claiming the credit will generally save your client more money. The credit is claimed on Form 1116, *Foreign Tax Credit.* **5. Child Tax Credit** Your LMS TAX Pro software will automatically calculate the Child Tax Credit, if it applies to the tax return. Within the Child Tax Credit Menu you have the option to adjust the Taxable Earned Income for the **Form 8812-Additional Child Tax Credit.** You also have a menu option to enter any additional amounts for Railroad Employees (Tier 1 tax which is withheld from pay.) **6. Retirement Savings Contribution Credit – Form 8880** In an effort to encourage lower- and moderate-income workers to set money aside for retirement, Congress created as part of the Tax Relief Act of 2001 a temporary new tax credit for contributions to IRAs, 401(k)s and other employer-sponsored retirement plans. **7. Other Credits General Business Credit – Form 3800:** In order to provide some uniform rules about dollar limitations, carrybacks and carryforwards, and other technical details, many of the federal income tax credits available to businesses are lumped together and treated as components of the "general business credit." **Residential Energy Credits – Form 5695** Beginning in 2006, residential energy credits can be claimed on **Form 5695**: **Nonbusiness energy property credit.** Maximum credit of $500. Must be new property and installed in or on main home. Total of: **1.** 10% of qualified energy efficiency improvements: insulation, exterior windows and skylights (up to $2,000), exterior doors, coated metal roofs that reduce heat gain, plus 83

2. 100% of cost of eligible **(a)**heat pumps, central air conditioners, and water heaters (up to $300), **(b)**natural gas, propane, or oil furnaces; and hot water boilers (up to $150), and **(c)**advanced main air circulating fans (up to $50). **Residential energy efficient property credit.** Credit is up to 30% of qualified photovoltaic, solar water heating, and qualified fuel cell property costs. Additional limits apply. **Mortgage Interest Credit – Form 8396:** If your client resides in one of the few states or localities that have chosen to issue MCCs (Mortgage Credit Certificates) and he or she obtains a certificate, then your client can claim a tax credit (rather than a deduction) based on the amount of interest you paid. **Prior Year Minimum Tax Credit – Form 8801:** If your client paid Alternative Minimum Tax (AMT) last year, or had a minimum tax credit carryforward from last year, your client may be able to claim a tax credit on Form 8801, *Credit for Prior Year Minimum Tax.* **Qualified Electric Vehicle Credit – Form 8834:** To be eligible for the tax credit, a vehicle must be powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electrical current. **Form 8839 – Qualified Adoption Expenses** – Be sure to fill out all of the required information for the child, and enter the total Qualified Adoption Expenses in Option (9) of the Eligible Child Edit Menu. If your client is married, he or she must file a joint return with the spouse to claim either the adoption tax credit or the exclusion for employer-reimbursed adoption expenses, unless (1) they are legally separated, or (2) they have lived apart from for the last six months of the year and the home is the child's home for more than half the year, and your client paid more than half the cost of keeping up the home for the year. **Child's identification number.** If the adoptive child can not obtain a Social Security number, or an ITIN for a resident or nonresident alien, your client must obtain an adoption taxpayer identification number by completing IRS Form W-7A, which can be obtained by calling 1-800-TAX-FORM. **DC First-Time Homebuyer Credit – Form 8859:** Who May Claim the Credit? If your client purchased a main home during the tax year in the District of Columbia **and** your client (and spouse if married) did not own any other main home in the District of Columbia during the 1-year period ending on the date of purchase.

Other Taxes Menu

1. Self-Employment Tax – Schedule SE If your client's total business income, from all Schedule Cs combined and from any partnership or S corporation income that is treated as self-employment income, is $400 or more, the LMS TAX Pro software will generate a Federal Schedule SE. If your client is filing jointly and the spouse also files one or more Schedule Cs, each spouse must count his or her own income separately. Certain situations in which the Schedule SE requires manual input of tax information includes Ministers and Members of Religious Orders who receive a W-2 with no Social Security withheld. Also in this category are ministers who may receive a Housing Allowance. The following steps outline the procedure in handling clients of this type: · From the LMS TAX Client's 1040 Menu, select Option Number (7), Other Taxes Menu · From the Other Taxes Menu, select menu option (1) Self Employment Tax · From the Schedule SE Information Menu, select menu option number ―(1)Is This Schedule SE Being Filed for a Minister/Clergy?‖ and answer YES . Select option (8)NonFarm Regular (including Ministers Income) and then (1)Clergy Tax-Free Income Worksheet · Enter the rental value of the home or a housing allowance · The LMS TAX Pro software will automatically calculate the amount of Self-Employment tax owed. **2. Alternative Minimum Tax – Form 6251** Because some taxpayers--particularly wealthy taxpayers--have been so successful in their efforts to legally minimize their tax bills, Congress came up with another way to tax them: the alternative minimum tax (AMT). The AMT provides a formula for computing tax that ignores certain preferential tax treatments and deductions that taxpayers would otherwise be entitled to claim. So, many taxpayers are required to compute their income tax liability twice: once under the regular method and once again under the AMT method. An individual will be subject to the AMT if his or her AMT liability is more than the regular tax liability for the year, and these calculations are automatically calculated by the software on Form 6251. What types of things can trigger the AMT? The most common items that can cause your client to become subject to the AMT are listed below. These items must be added back to taxable income in order to compute the AMT:

û all personal exemptions

û the standard deduction, if your client claimed it

û itemized deductions for state and local income taxes, and real estate taxes ü itemized deductions for home equity loan interest (this does not include interest on a loan to buy, build, or improve a home) ü itemized deductions for miscellaneous deductions û itemized deductions for any portion of medical expenses that exceed 7.5 percent of AGI but not 10 percent of AGI ü deductions claimed for accelerated depreciation that exceed what your client could have claimed under straight-line depreciation ü differences between gain or loss on the sale of property for AMT purposes and for regular tax purposes; these differences most commonly occur as a result of the different depreciation methods required under AMT, as described above ü addition of certain income from incentive stock options

ü changes in income from installment sales, since the installment sale method generally can't be used for AMT purposes ü changes in certain passive activity loss deductions

If your client has large amounts of any items on this list, and your client's adjusted gross income exceeds the exemption amounts discussed below, the software will compute AMT liability on IRS Form 6251, *Alternative Minimum Tax — Individuals,* to determine whether your client must actually pay any AMT. **3. Social Security and Medicare Tax on Tips – Form 4137** Form 4137 is used to calculate the social security and Medicare tax owed on tips your client did not report to his or her employer, including any allocated tips shown on Form W-2 (box 8 of Form W-2) that your client must report as income. Your client must file Form 4137 if he or she received cash and charge tips of $20 or more in a calendar month and did not report all of those tips to the employer. **4. Uncollected SS and Medicare Tax – Form 8919** This form is to be used by a taxpayer who has been designated as an employee by the IRS even though they did not receive a Form W-2 from their employer or did not have Social Security or Medicare taxes withheld from their pay. **5. Tax on Early Distribution – Form 5329** Any payment that your client receives from an IRA or qualified retirement plan before reaching age 59½ is normally called an ―early‖ or ―premature‖ distribution. If your client includes amounts from a Form 1099-R (IRA and Pension Distributions) on the tax return, he or she may be subject to a 10% penalty if the funds have been withdrawn from the retirement plan before the taxpayer has reached age 59 ½. In addition to paying regular income tax on that money (it's taxed along with the rest of the income), your client will have to pay a penalty for the "early" distribution. Distributions from the following types of retirement plans are subject to this 10% penalty:

û A qualified retirement plan (like a 401(k) or a Keogh plan)

û A traditional IRA

û A Roth IRA

û An annuity (tax-deferred)

û A modified endowment contract

The LMS TAX Pro software will automatically calculate the 10% penalty if the 1099-R from the Income Menu is marked with a Distribution Code of "1" – unless an exception to the penalty is indicated.

See Page 71 for instructions on How to Mark Exceptions to the 10% Penalty in the LMS TAX Program:

6. **Advance Earned Income Credit Payment from the W-2** If your client receives an advanced Earned Income Credit Payment, and you input this amount on the W-2 entry screen, LMS TAX will automatically pull this amount forward and include the amount in the Other Taxes Menu. **7. Household Employment Taxes – Schedule H** If your client is required to pay employment taxes on domestic help, LMS TAX will calculate them along with the regular income tax on Form 1040. However, you will need to complete Schedule H, *Household Employment Taxes,* and include it with the tax return. **8. Other Taxes (To Be Selected)** Tax on Accumulation Distribution of Trusts. Enter the amount from Form 4970 and identify as ―**ADT**.‖ Golden Parachute Payments. If your client received an excess parachute payment (**EPP**), your client must pay a 20% tax on it. This tax should be shown in box 12 of the W-2 form with code K. If your client received a Form 1099-MISC, the tax is 20% of the **EPP** shown in box 13. Identify as ―**EPP**.‖ Uncollected Social Security and Medicare or RRTA Tax on Tips or Group-Term Life Insurance. This tax should be shown in box 12 of Form W-2 with codes A and B or M and N. Identify as **"UT".** Section 72(m)(5) Excess Benefits Tax (see IRS Publication 560) …Identify as **"Sec. 72(m)(5)".** **Payments, Estimates, EIC Menu** **1. Estimated Payments Made for 2008** By clicking this menu option, you may enter the quarterly estimated payments made by your client during the tax year. There is also an option to include any amounts applied from a prior year refund. **2. Estimated Payments from K-1** This option automatically pulls the amount from Estimated Payments entered in the 1041 K-1 menu. **3. State Estimated Payments** Here, you will enter the amounts paid as quarterly estimates on your client's state tax return. Enter the amounts, and if amounts were paid to ONE state, enter the state abbreviation. **4. Other Federal Withholdings (From 1099 Forms)** If your client has a Form 1099 that shows Federal Tax Withheld, include the withholdings on this line of the LMS TAX Pro tax program and indicate that the withholdings are from a 1099. Also include any additional withholdings that MAY NOT be included on a Form 1099 in this menu option. **5. Other State Withholdings** Include on this line of the program any additional state withholdings that your client may have paid, and that have not yet been accounted for anywhere else within the program. **6. Earned Income Credit** If the Taxpayer qualifies for the Earned Income Credit, the LMS TAX Pro software will *automatically* bring up the **Form 8867-EIC Checklist Menu** as the return is being prepared. A brief discussion of the EIC Checklist Menu follows on the next page.

EIC Checklist Menu

As you begin to answer the EIC Checklist questions, beginning with Menu Option number (1), **read and answer each question carefully**. Once you have answered the Due Diligence Questions correctly, the menu options will change to ―Qualifies‖ and the **Earned Income Credit will automatically calculate**.

Note that the EIC Checklist questions must be answered for EIC to calculate correctly.

If the software does not calculate the Earned Income Credit for a client that you feel is entitled, please check the following before calling Technical Support:

EIC Checklist Questions have been answered correctly…this client will receive Earned Income Credit… From the Client's 1040 Screen, select **(11)View Results** and the screen below will appear…select ―WHY NO EIC CALCULATED‖ and click ―OK‖… 88

The reason why the Earned Income Credit did not calculate will be explained as in the example below: If you should need to re-calculate the Earned Income Credit, begin by selecting **Payments, Estimates, EIC** from the Client's 1040 Screen…then **Earned Income Credit** in the **Payments, Estimates, EIC Menu**… (Earned Income Credit is included on the Payments Menu because it appears in the "Payments" block of the Form 1040.) Choosing the Earned Income Credit menu option will allow you to choose from the following pick-list on your screen: Selecting option (1) from the pick-list will take you directly to the input menu for Earned Income Credit. Next, select the option for **Form 8867 (EIC Checklist).** By choosing the correct answers for the Due Diligence questions the program will calculate the Earned Income Credit **if your client is truly eligible**. Notice also from this pick-list that **option (4)** gives you the ability to adjust the **Investment Income** in the return, which may be keeping the software from automatically calculating the Earned Income Credit. 89

7. **Additional Child Tax Credit – Form 8812** Your LMS TAX Pro software will automatically calculate any Additional Child Tax Credit for the return being prepared. **8. Amount Paid With Extension – Form 4868** If your client wants an automatic four-month extension to file his or her tax return, you can file Form 4868 by April 15. However, your client must pay any tax that you and your client estimate will be due by April 15. **9. Excess FICA & Medicare Tax** If your client, or spouse if filing a joint return, had more than one employer for 2007 and total wages of more than $97,500, too much social security tax may have been withheld. Your LMS TAX Pro software will automatically calculate the excess FICA tax for you, and place the amount on the line for this menu option in the Payments, Estimates & 2210 Menu. However, you have the ability to change the amount on this line by clicking on this menu option, and plugging in the desired figure. **10. Shareholders LT Gains – Form 2439** The tax paid on Undistributed Long Term Capital Gains by the client's Mutual Fund or REIT is shown in box 2 of Form 2439. **11. Federal Tax Paid on Fuels Credit – Form 4136 Gasoline tax credit.** Your client can claim a credit for any federal excise taxes paid on gasoline and special fuels (like undyed diesel, heating oil, liquefied petroleum gas, and compressed natural gas), when your client uses the fuel for certain purposes: for farming; for nonhighway purposes of trade or business; for intercity, local, or school buses; or for export or foreign trade. Your client can't claim this credit for any personal (nonbusiness) use, so forget about claiming it for the snowmobile or pleasure boat! The credit is claimed on Form 4136, *Credit for Federal Tax Paid on Fuels.* It is *refundable*, meaning that the IRS will pay it to your client even if there is no tax liability for the year. **12. Health Insurance Credit – Form 8885** There is a health coverage credit available to certain individuals who receive a pension benefit from the Pension Benefit Guaranty Corporation; who are eligible to receive certain Trade Adjustment Assistance; or who are eligible for the Alternate Trade Adjustment Assistance program. Your client will need to answer YES to the eligibility questions for form 8885. 90

13. **Apply Refund** This menu option in the **Payments, Estimates, and 2210 Menu** allows you to enter an amount of your client's overpayment (refund) from *this year's taxes* to be credited to *next year's* tax return. The program will not accept an amount larger than the refund for this year. **14. Direct Deposit Information** If the tax return has been marked for electronic filing, you must update the Direct Deposit Information by returning to the Client's 1040 Menu, and then selecting menu option "(12) Mark Return Electronic". If the tax return *has not* been marked for electronic filing, choosing this menu option will prompt you to enter the Routing Transit Number, Account Number, and Type of Account (checking or savings). **Be sure to double-check your entries for these fields. Also, be sure to use one of your client's CHECKS and NOT A DEPOSIT SLIP when filling out the RTN and Account Numbers. 15. Generate 2009 Estimates – 1040-ES** This menu option will allow you to enter and print Estimate Coupons for your client's quarterly estimated tax payments in the coming year. The "Estimates to Apply to 2008 Menu" also features a 1040-ES Calculator. This calculator will help you and your client project how much your client should pay in on a quarterly basis. **16. Payment Voucher – Form 1040-V** Form 1040-V is a statement that your client may send with a check or money order when paying a balance due tax return. Using 1040-V allows processing of the payment more accurately and efficiently. The IRS strongly encourages the use of Form 1040-V, but there is no penalty if not filled out. The LMS TAX Pro software will automatically fill out a Form 1040-V on a balance-due tax return. **17. Underpayment of Estimated Tax – Form 2210** Your LMS TAX Pro software will prompt you on a balance due tax return that a Form 2210 may be needed. Most clients will be eligible for the Short Method – enter the amount of last year's tax in menu option (1) and the LMS TAX Pro Software will calculate the penalty amount. *The following option is new for the 2008 LMS TAX Pro program in the Payments, Estimates, EIC Menu:* **20. First-time Homebuyer Credit** If you are a first time home buyer (defined by the IRS), you have an income of less than $75,000 ($150,000 if married filing joint), and you bought a new home between April 9th, 2008 and July 1, 2009 you are eligible for the Federal Housing Tax Credit for First time Home buyers. The tax credit is for 10 percent of the purchase price, but not to exceed $7,500. So if you purchased a home that cost $65,000 (65000x.10), you credit would be $6,500, but if you purchase a home that costs $200,000, your tax credit would be $7,500, as it is the maximum credit. The credit is technically a 15 year interest-free loan, as it must be repaid over a 15 year period, with each yearly payment being just over $500, but no interest is charged. 91

Miscellaneous Forms

1. Amended Return – Form 1040X This menu option will allow you to create an Amended Return for the current tax year, or for tax years back to 2003. *A complete discussion of filling out the Amended Return in your LMS TAX Pro program is covered in **Chapter 10**.* **2. Claim Refund Due a Deceased Taxpayer – Form 1310** If your client is claiming a refund on behalf of a deceased taxpayer, Form 1310 must be filed. *This form can also be electronically filed with the tax return.* **3. Injured Spouse Claim – Form 8379** "Injured spouse" relief applies when a couple files jointly and has their tax refund reduced or eliminated because of an unpaid tax or other debt that only one of them owes. For example, one spouse may owe taxes from a year before the couple married. The other spouse has a right to his or her share of the refund, based on an allocation of income, deductions, payments and other tax return items between the two spouses. If the IRS has applied your client's refund against the spouse's tax liability, or your client is concerned that the IRS may do so, select Form 8379 – Injured Spouse Claim and Allocation. The form requests identifying information for your client and spouse, and information needed to determine how much of the tax — and refund — is attributable to each spouse. **The IRS makes the actual calculation that divides the refund between your client and his or her spouse. 4. Married Filing Joint / Married Filing Separate Comparison** This option in the Miscellaneous Forms Menu allows you to compare the results of filing a joint return versus filing separate returns for your married clients. Most couples file their return jointly, combining incomes and sharing deductions. But sometimes it pays for couples to re-examine how they file. There are instances when filing separately might better. For example, separate returns could produce tax savings if one spouse has lots of medical expenses and a low income. By filing separately, the partner with the doctor bills might be more likely to meet the 7.5 percent threshold needed to itemize medical costs. **5. MFS Allocation Record for Community Property States** To electronically file a Married Filing Separate Return in Community Property States, you will need to access this menu option in the Miscellaneous Forms Menu. **6. Net Operating Loss Worksheet** A net operating loss (NOL) occurs when your client's deductions are more than income for the year. A loss from operating a business is the most common reason for an NOL. An NOL can be carried back to previous years and carried forward to future years to offset income. **7. Installment Agreement Request – Form 9465 IRS Form 9465 – Installment Agreement** can be used to setup a payment plan for your client's outstanding tax liability. It allows your client to make monthly payments, typically over a one to three year period. **8. Automatic Extension Form – Form 4868** This menu option in Miscellaneous Forms is for the *printed* and *mailed* Form 4868. **If you wish to file an *electronic* extension**, return to the LMS TAX Main Menu, and select Option **(8)Utilities.** Then choose the option for **Enter Electronic Extensions.** Fill out the client's information for the Electronic Extension. Next, return to the LMS TAX Pro Main Menu and select the E-File option. To electronically file the extension, select the menu item to **Transmit Electronic Extensions.** ***Remember that Extensions must be submitted on or before April 15.***

9. **Power of Attorney Form – Form 2848** Use Form 2848 to authorize an individual to represent you before the IRS. The individual you authorize must be a person eligible to practice before the IRS. **10. Mark Return as Private: YES or NO** Marking a return as ―Private‖ removes the Social Security Number from the tax return pick-list. When you select ―Tax Returns‖ from the LMS TAX Pro opening screen, the SSN of a return that is marked ―Private‖ will not appear in the Client List – the return can only be opened for editing if you know the Social Security Number. **11. Notes / Statements** By choosing this option, you may enter explanations and other statements to accompany your client's tax return. You have the option to electronically send Preparer Notes to the IRS, or save them for your own personal files. **12. Forms 8082, 8271, 8821, 8275 Form 8082 –** Use Form 8082 to notify the IRS of any inconsistency between your tax treatment of an item and the way the pass-through entity treated and reported the same item on its return. Also use the form to notify the IRS if you did not receive Schedule K-1 by the due date for filing your return. **Form 8271 –** Form 8271 is used to report the tax shelter registration number the IRS assigns to certain tax shelters required to be registered under section 6111 and to report the name and identifying number of the tax shelter. **Form 8821 –** Tax Information Authorization form **Form 8275 –** Disclosure Statement – Form 8275, Disclosure Statement, is used by taxpayers and income tax return preparers to disclose items or positions, except those taken contrary to a regulation, that are not otherwise adequately disclosed on a tax return to avoid certain penalties. **13. Application for ITIN (W-7)** Application for IRS Individual Taxpayer Identification Number – for use by individuals who are not U.S. Citizens or permanent residents. **14. 1040 Override** The 1040 Override selection allows you to manually "plug in" figures on your client's return. For example, if a particular form is not supported by LMS TAX Pro software, the figure may be entered from the keyboard and the tax return will still calculate correctly. **However, if you must use the 1040 Override, the tax return cannot be filed electronically**. This option should only be used as a last resort. **15. Enter Prior Year(s) Data for Comparison** This option will allow you to enter tax return data from 2006 and 2007 in order to compare the figures to the 2008 return. 93

State Returns

Selecting the **State Return** option in the Client's 1040 Menu brings up the pick-list of states supported by your LMS TAX Pro software: In the State Menu, notice also that option number (1) in the pick-list allows you to **DELETE A STATE RETURN.** One case where it may be necessary to delete a state return is that of completing a state *resident* return that should have been marked as a *part-year* or *nonresident* instead. If this should occur, simply delete the state return, and re-select your state return from the pick-list. **There is no way in the software to change from a resident state to a part-year or non-resident state without first deleting the state return.** We will discuss state returns in more detail in Chapter 6 of this manual.

View Results

The **View Results** menu option allows you to bring up the forms onto the computer screen that have been completed on your client's return. You also have the "**Quick Summary**" option, which 94 will show the current refund or balance due according to the figures entered into the client's return up to that point. If you used LMS TAX Pro software to prepare last year's tax return for your client, (or if you have allowed us to run the *conversion* from another software package), you can also use **Prior Years Comparison** to view a comparison of last year's return with this year's return. Clicking on a form in the **View Results** list, and then clicking the "OK" button will allow the form to be viewed on your computer screen. Take note of the options in the **top left corner** of the screen: **'File', 'View', 'Window', 'Help'…**

➢ Clicking on **File** will bring up the menu to **Print** the entire form or to print only the page showing on the screen (**Current Page**).

➢ Clicking on **View** will allow you to **Zoom In** on the form to make it larger on your screen, or **Zoom Out** to make the form smaller. You may adjust this setting to your liking.

➢ Clicking on **Window** allows you to view the next page of the form on the screen, or if the form has more than 2 pages, you may select the page you wish to view.

5-2 Marking the Return for Electronic Filing…

This is the first step in the electronic filing process. If the return is not marked electronic, the program will consider this to be a non-electronic return and it cannot be pulled into the electronic filing tables. 95

You will then be taken to the **Electronic Filing Information Screen**. When the **Electronic Filing Information Screen** is displayed, you will be asked to select the type of return you wish to electronically file: If you choose a Refund Anticipation Loan, Bank Bonus, Bank Pass-Thru, or RAL Direct, you will be asked if the taxpayer is associated with the Armed Forces, as shown below. You will need to select one of the categories before you can proceed. In the case of a **balance due** return, you will be asked the following question: If the return is for a mailed check or a bank product, all of the bank information will be pulled in **automatically**. If the return is a direct deposit, you will be prompted to enter the Routing Transit Number (RTN), the account number, the type of account, and the bank name. To reduce the possibility of an error, you will be prompted to enter the RTN and the account number twice. ***Important:*** Make sure you get the RTN from a **check** and *not a deposit slip*. (Some banks use an internal routing number on their deposit slips rather than their RTN.) Your client's refund will be delayed for several weeks if the proper RTN is not transmitted to the IRS. 96

When you exit the Electronic Filing Information Screen, the **E-File Menu** will be displayed. Use this screen to make changes to the electronic filing information or to *remove the client's return from electronic filing*. Menu option ―11.Other E-File Information‖ allows you to enter or change certain E-File information as shown below: If the return is self-prepared, be sure you change from "PREPARER" to "SELF". ****** *Important:* Marking the Federal return electronic does not make the State return electronic!!** You must mark the state portion of the return electronic from the appropriate state program menu. **** **Practitioner PIN** The IRS has implemented a completely paperless tax return for clients through the Practitioner PIN Program. This program eliminates the process of mailing the **Form 8453** (However, bear in mind that you will need to print and store form 8879 – The Signature Authorization, so the program is not TOTALLY paperless!!). There are some cases, however, where the Practitioner PIN cannot be used. ***5-3 Diagnostics and Warnings…***

LMS TAX Pro automatically runs a series of tests on the return you are preparing to make sure there are no inconsistencies in the return being prepared. If the program finds any inconsistencies you will be notified through the Diagnostics and Warnings Menu. If you have the Warning box turned on, a box outlined in red will appear at the bottom of the 1040 menu with the warning listed in the box. 97

5-4 Marking the Return “Ready to Transmit”

As you exit the tax return, you will be taken to the **Receipt Menu.** Here, you have the ability to review your fees, print a Bank Application, display your client‘s Estimated First Check, and print a Client Invoice. You also have the option (11) to edit the client‘s tax return if necessary. **LOAN TIER SELECTION** If you selected a Refund Anticipation Loan for the taxpayer, the program will automatically select the highest eligible loan tier. To select a lower tier, choose **Selected Loan Tier**, on the Receipt Menu. Change the desired Loan Amount in option (2) and press the <Enter> key.

As you exit the Receipt Menu, the following question will appear (unless the return has previously been marked as —Ready for Transmission‖)… If the return is complete and ready to be transmitted, choose —Yes**”**. The return will be pulled into the transmission table and is now ready for e-filing. If you are not ready to finalize the tax return, and wish to make later changes to the return, choose **—No”.** This will make an automatic back-up of the tax return, and you will be returned to the LMS TAX Pro opening screen, where you can begin entry of another tax return. 98

CHAPTER 6

Preparing the State Returns

6-1 Entering State Return Data…

From the Client's 1040 Screen, select Option **(10)State Return**. This will give you the list of states supported by LMS TAX Pro, along with the option to **Delete a State Return**. If a state return has already been done, it will be indicated in your state menu by the words 'Resident', 'Nonresident', or 'Part Year' for that particular state. Clicking the state of your choice, and then clicking the 'OK' button will take you to that state's main Tax Program Menu. Here, you will select a Resident, Part-Year, or Nonresident Tax Return, depending on your client's situation. Your LMS TAX Pro software will automatically pull the Federal Personal Information, Income, and other relevant data into the state tax return. For some states, you may have to enter other income, adjustment, credit, or deduction figures that are applicable to that particular state.

6-2 State Resident Programs…

For the majority of the Resident State programs supported by LMS TAX Pro, you will have to do nothing more than click the state from the **State Menu**, choose **Resident Program**, allow the program to fill in the state data, and then **Exit** back to the **Client's 1040 Menu**. The state program will automatically calculate according to the figures entered on the Federal 1040 program. In some cases, you may have to fill in a "foreign" state tax credit, if your client had income and withholdings from a state other than the state of residency. These "other state credit" menu options are most often found in the items labeled: "Other State Credits", "Total Prepayment Credits", "Nonrefundable Credits", "Total Credit", and sometimes the menu option simply labeled "State Tax". If you are having trouble finding a particular line item on a state return, use the state **"Jump To"** option to help you find the line or form that you are looking for.

6-3 State Part-Year Residents…

At the start, you will more than likely be asked to enter the dates of part-year residency for the state with which you are working. As with the Resident State Programs, you will have to do nothing more than click the state from the **State Menu**, choose **Part-Year Resident** from that state's Main Menu, allow the program to fill in the state data, and then **Exit** back to the **Client's 1040 Menu**. The state program will automatically calculate according to the figures entered on the Federal 1040 program. Again, as with the Resident States, you may be required to make some entries which are unique to the particular state on which you are working.

6-4 State Nonresidents…

For the 2008 LMS TAX Pro program, the software is designed to pull all relevant Federal information into the Nonresident State programs. Keep in mind that your client will most often receive a *credit in the state of residency* for taxes paid to a "foreign" or nonresident state. **To calculate this credit for taxes paid to other states, you will always want to complete the Nonresident state tax return first.**

6-5 Accessing State Instructions…

To access each state's web site from your LMS TAX Pro Software Package:

- Select the desired state from the state pick-list
- Choose Resident, Part-Year, or Nonresident
- At the state's Main Menu, click the ―State Web Info‖ icon located at the top of the screen.

6-6 Credits for Taxes Paid to Other States… If your client lives in one state and works in another, he or she may be eligible for a tax credit on the resident return for the taxes paid to the nonresident state. **To properly apply the credit(s), you will want to fill out the tax return(s) for the nonresident state(s) before filling out the return for the resident state.** There are generally two pieces of information from the nonresident states that are needed for the resident state tax credit:

(1) The total income taxed by the nonresident state

(2) The taxes (usually from the Tax Tables) that were **actually paid to the nonresident state**

For example, assume we have a client who is a *resident* of Georgia, and a *nonresident* of South Carolina. He has earned a total of $40,000 in wages from all sources. $35,000 was earned in South Carolina, and $5,000 was earned in his home state of Georgia. We first need to calculate the South Carolina tax return because it is the *nonresident* state. On his South Carolina nonresident tax return, the income taxed by South Carolina will be $35,000, and the state tax calculated by the program after all adjustments are made will be $443 from the South Carolina Tax Tables.

Total Income figure taxed by South Carolina… 101

In the Georgia resident tax return menu, we will select the option for **—Total Nonrefundable Credits‖** to access the **—Other States Credit‖** menu. (The credit for taxes paid to another state is *generally* a nonrefundable credit.) Keep in mind that each resident state program may have different menu options to get to the other states' credit, but the procedure for each state is *basically* the same.

Tax from the South Carolina Tax Tables

In the Georgia state program, select **Total Nonrefundable Credits** to access the **Other States Credit** menu… 102

You will be asked if you wish to pull forward the Nonresident State income and tax information… answer YES to calculate the credit. Our client will now receive a tax credit on his Georgia resident state tax return for income taxes that were paid to South Carolina.

...the **Nonrefundable Credits Menu** leads to the **Other States Credit** menu… 103

CHAPTER 7

Electronic Filing

7-1 Indirect Filing Through LMS TAX Pro… ****** Important:* All *Chase Bank* products (RAL's, Bonus Directs, Bonus Deposits, Pass-Thrus, and RAL Directs) MUST be electronically filed through LMS TAX Pro. ****** *What are the benefits to you in filing through LMS TAX Pro rather than filing directly to the IRS?*

û Eliminate the hassles of filing early-season test returns with the IRS.

û No more worries about obtaining ETINs and Live Transmission Passwords from the IRS.

ü No need to break your electronic transmissions into one batch for Bank Products, and a second batch for Direct Deposits and E-mails. Simply transmit all your files in one batch to LMS TAX Pro.

ü LMS TAX Pro will maintain copies of all your electronic returns here on file. In the event of a computer crash (or any similar unforeseen circumstance) we can send you a complete copy of all of your electronic returns – you'll be back up-and-running in no time.

ü Transmitting your returns to LMS TAX Pro will enable us to discuss with you, over the phone, any questions you may have concerning a particular file. By having the transmission file in-house, we can help you correct any reject codes or other errors that may arise.

ü If necessary, we can re-hang your acknowledgments quicker and easier than the IRS, often within just a few minutes.

Steps to E-Filing Your Returns: From the LMS TAX Pro Main Screen, select **E-File**…unless you have set your configuration to include Direct Filing, you will be at the **Indirect Main Menu.** From the Indirect Main Menu, the first option is to **Transmit Electronic Return(s)**

7-2 Creating the Filing Table…

Select Option **(1)Transmit Electronic Return(s)**…you will see the following Transmission Table: Your table may have a tax return (or returns) ready to transmit, as in the example above, or your table may be empty. In this section of the manual, we will go over transmission of returns that are already showing up in the LMS TAX Pro Transmission Table. The next step in transmitting is to click ―Transmit‖ (or press <Alt> + the letter **'T'** on your keyboard)…you will then see the message box illustrated below…click 'OK' or hit the <ENTER> key to continue… … as shown on the next page, you will have the option of printing out a list of the clients that you are transmitting…we recommend that you print this list for your records… 106

…if the transmission file is created correctly, you will see the following message appear on your screen… …click ‘OK’ to continue…

7-3 Transmitting Returns…

The next screen that you see during the transmission process outlines the steps that are occurring as you transmit your returns. You can follow these steps as they take place in your Transmit/Receive window. **Transmitting to LMS TAX Pro over the Internet** If you have set your Communications Configuration to Transmit and Receive over the Internet, you will see a dialog informing you about the status of your Internet connection and transmission to LMS TAX…

Make sure your Internet connection is open, and click on the “Connect” button to transmit your returns to LMS TAX Pro by Internet…your screen will indicate the status of your connection

…once your connection to LMS TAX Pro has closed, click the ―Exit‖ button…you will see a prompt on your screen telling you that you have “Reports to Print”…this will be your **Transmission Confirmation**, as well as any LMS TAX Pro Messages, Bank Acknowledgments, and IRS Acknowledgments that you may have. 107

Important: **If you do not receive a LMS TAX Pro Confirmation Report, your transmission to LMS TAX Pro was not successful**. If you were disconnected in the middle of your transmission, retransmit the table. The transmission table remains on your system until a new one is created. If you left the communication program prior to completing your transmission, select **(5)Indirect Utilities from the Indirect Main Menu**. Then click **(1)Send Previous Transmission. Transmitting by Modem The following will apply only if you have set your Communications Configuration to transmit returns by modem.** If you are using the Alternate Communications Package in your Communications Configuration, your LMS TAX Pro Terminal Screen will have a “START CALL” button at the top of the screen. You will need to click the START CALL button to initiate the dialing process. If you are NOT using the Alternate Communications Package, your modem will dial out automatically.

If you are using the Alternate Communications Package in your LMS TAX Pro Configuration, you may see the box below when you transmit your tax returns…if you see this box, click “YES” …after clicking “YES”, you will see the LMS TAX Pro Terminal screen as shown on the next page…you will need to click the “START CALL” button to dial out and send your returns… 108

…above is a view of the LMS TAX Pro Terminal when the Alternate Communications Package is selected in Communications Configuration…left-click the START CALL button to dial out. Most users will select the **Alternate Communications Package** in the Communications Configuration Menu.

7-4 Adding Returns to the Transmission Table…

…click the Start Call button to send returns or pick up acks if you are using the Alternate Communications Package and NOT using the Internet to transmit returns…

If your Transmission Table is empty, or if you have returns that you want to add to an existing Transmission Table, click the ―Add Client‖ button (or press <Ctrl> + **'A'** on your keyboard)…this will prompt you to double-click the Social Security Number for the client that you wish to add…

…once you have finished adding returns to the table, you may click the ―Done‖ button…this will take you back to the normal Transmission Table screen with the 'Add Client', 'Delete Client', ‗Cancel', and 'Transmit' buttons at the bottom of the screen.

7-5 Deleting Returns from the Transmission Table… If you have returns in your Transmission Table that you wish to delete, or if you wish to delete the entire table, click the ―Delete Client‖ button (or press <Alt> + the letter **'D'** on your keyboard)… you will see the following question: …answering 'NO' will prompt you to enter the Social Security Number(s) of the clients you wish to remove from the table…

7-6 Direct Filing to the IRS…

If you wish to transmit returns directly to the IRS, you will first need to set your LMS TAX Pro configuration for Direct Filing. If you have a valid and current ETIN (Electronic Transmitters Identification Number) and IRS password, you are eligible to transmit directly to the IRS. To set your LMS TAX Pro configuration for direct filing, do the following:

- From the LMS TAX Pro opening screen, select **Configuration**
- From the **Configuration Main Menu**, select **Electronic Filing / Bank Setup**
- From the **Electronic Filing / RAL Bank Setup Menu**, select **Direct Electronic Setup**

First, you will need to select option **2. Filing Direct to IRS**, and answer ―Yes‖ to the question, ―Are You Going to File Direct to the IRS?‖ Note that a Dial-Up Modem is no longer supported by the IRS. You must transmit all returns over a Secure Internet Connection. **You will be prompted to download and install a third party Secure Communications Program. You MUST install this program on the Communications Computer in order to file direct to the IRS.** Next, enter your ETIN, User ID, Password, and Current IRS Processing Site (example shown below).

Once your Secure Communications Program has been installed, you have entered your **ETIN, ID, and Password**, and you have selected the **Current IRS Processing Site**, you may return to the opening screen. From the LMS TAX Pro Main Screen, select the option for **Electronic Filing**…then, select the option for **Direct Electronic Filing to the IRS**.

You will now be at the **Direct Electronic Filing Menu.** As with Indirect Filing to LMS TAX Pro, choose Option **(1) Transmit Electronic Return(s)** to send returns. The instructions for the Transmission Table are similar to those in the manual **Sections 7-2** through **7-3**. The only difference is that you are now transmitting your electronic returns **DIRECTLY** to an IRS Service Center instead of to LMS TAX Pro. The procedures to file "direct to the IRS" are nearly identical to those for filing "indirect to LMS TAX Pro". The exceptions will be discussed in this section. When you create a table for transmission, the Direct Electronic Filing Menu will display the number of returns to be transmitted and shows the sequence and batch numbers for the transmission. LMS TAX Pro will automatically increment these numbers for you. Transmission Sequence Number: The sequence number will increment with each transmission on a daily basis. For example, if you make your first transmission today, the transmission sequence number will be 01. If you make a second transmission, the sequence number will be 02. Tomorrow, the sequence numbers start over with ―01‖. 111

7-7 Direct Filing Test Returns… In order to file returns **directly to the IRS**, you must have the following: 1. An **ETIN** – **E**lectronic **T**ransmitters **I**dentification **N**umber (This is a FIVE-digit number), a User ID, and a Direct Filing Password. 2. An **EFIN** (**E**lectronic **F**ilers **I**dentification **N**umber) – This is a SIX-digit number. If you have the numbers listed above, you will need to transmit two batches of TEST Returns to the IRS before you are allowed to file LIVE returns. The IRS Test Returns are already included in your LMS TAX Pro software. To transmit the TEST returns, do the following:

ü From the LMS TAX Pro Opening Screen, select **E-File**.

ü Choose the option for **Direct Electronic Filing to the IRS**.

ü Choose the Option for **Direct Filing Test Returns.**

ü Choose the Option to Send the First Three Test Returns to IRS.

ü Allow the transmission of the First Three Test Returns to complete, and return to **Direct Filing Test Returns Menu**.

ü Immediately Choose the Option to send the second Transmission…the transmissions MUST be sent BACK-TO-BACK within minutes of each other.

Twenty-four hours from your two transmissions, you will need to receive your acknowledgments from the IRS. To receive acknowledgments from the IRS, you will need to do the following:

ü From the LMS TAX Pro Opening Screen, select **E-File.**

ü Choose the option for **Direct Electronic Filing to the IRS**.

ü Choose the option to **Receive IRS Acknowledgments Only**.

If there are any acknowledgments from the IRS, they will be picked up automatically. If you should receive acknowledgments, you will need to go to **Print Reports** and print out the IRS acknowledgments. ***Once you have received your acknowledgments from the IRS, you will need to call your IRS Service Center and let them know that the five test returns have been accepted.*** **IRS PROCESSING CENTER HELP DESK PHONE NUMBER:** ***866-255-0654*** **If you do not receive your acknowledgments from the IRS within 3 days, you will need to call the IRS Service Center that you are transmitting to and verify that they received your transmission. If the IRS states that they did NOT receive your transmission, repeat the steps listed above to send the two batches of Test Returns.** **7-8 Changing from TEST mode to PRODUCTION mode…** Once you have received your IRS acknowledgments for your Test Returns, follow the steps below to switch to Production Mode. **Do not update the program for Live Production Transmissions until all test returns have been accepted through the IRS.**

ü From the LMS TAX Pro Opening Screen, select **_E-File**‘

ü Choose the option for **Direct Electronic Filing to the IRS**

ü Choose the option for **IRS Transmission Mode**

ü Answer ―NO‖ when asked to ―Send Transmissions to the IRS in TEST MODE?‖ ü Your IRS Transmission Mode should now read [PRODUCTION] 112

The "Login Incorrect" Message: Especially during the beginning of the Tax Season, it is possible that you will receive the message "Login Incorrect" when trying to file live tax returns directly to the IRS. This message will appear in your Kermit Terminal screen when transmitting to the IRS. If you receive the "Login Incorrect" message, return to Direct Filing Configuration and make certain that your ETIN and Live Password are entered correctly. Make sure that the case of the letters in your Live Password (usually sent to you in a letter from the IRS) matches the case of the letters in your Direct Filing Configuration. If your ETIN and Live Password are correct in your LMS TAX Pro Configuration, and you are still receiving the "Login Incorrect" message, then the IRS does not have you set up for PRODUCTION MODE (live processing). You will need to contact your IRS Service Center and make sure that you are in "Production Mode". (Be sure to use this phrase when speaking to the IRS Representative.) Setting you up for Production Mode can sometimes take up to 48 hours from the time your IRS Test Returns are accepted.

7-9 Retransmitting Returns…

To Retransmit a tax return, or returns, that you feel were not successfully transmitted: From the LMS TAX Pro Opening Screen, select the option for **'E-File'**…then, **Indirect Electronic Filing Through LMS TAX Pro**, or **Direct Electronic Filing to the IRS**…from the **Direct E-File Main Menu**, option (2) allows you to Retransmit your last transmission. From the **Indirect E-File Main Menu**, select **(5)Indirect Utilities**, and then **(1)Send Previous Transmission**. By choosing the Retransmit option, you are not forced to re-enter a batch of tax returns into a Transmission Table that may not have been sent on the first try. If you have transmitted a tax return, and the return has been either *(a) rejected,* or *(b) sent with incorrect client information*, you will first want to correct the client file. Once this is done, you will want to ADD the return to the Transmission Table and send the return again.

7-10 Receiving Acknowledgments…

Twenty-four to forty-eight hours after transmitting your tax returns to LMS TAX Pro or to the IRS, you will want to connect and pick up your IRS acknowledgments. The **—Receive Acknowledgments Only"** option from the **Indirect E-File Main Menu** is used to pick up IRS acknowledgments, check print authorizations, bank reports, and LMS TAX Pro messages when you do not have any returns to transmit. From the LMS TAX Pro Opening Screen, select the option for **„E-File"** . If your configuration is set up for Direct Filing, you will have two menu options: (1) filing through LMS TAX Pro, and (2) filing direct to the IRS. If you DID NOT set your configuration for Direct Filing, you will be at the **Indirect Main Menu.** Option number (2) from the **Indirect E-File Main Menu** allows you to **Receive Acknowledgments Only.** *If you transmitted your returns directly to the IRS*, select the option for **Direct Electronic Filing to the IRS**…select the option to **Receive IRS Acknowledgments Only**. Follow the on-screen prompts to pick up your acknowledgments. Once you have picked up your acknowledgments, you will be notified on your computer's screen that you have **"Reports to Print".**

7-11 Reports Printing… You will receive various reports from LMS TAX Pro and the IRS. When you receive reports, a screen prompt advises you that there are reports to print. Select **option (3)Print Reports** from the **Indirect E-File Main Menu** (returns filed through LMS TAX Pro) – or **option (4)Print Reports** from the **Direct E-File Main Menu** (returns filed directly to the IRS)**.** A set of small arrows will indicate which reports need to be printed. **Figure 1 – A small set of arrows in this area will indicate that you have Reports to Print…select the "Print Reports" option to move to the Indirect Print Menu…**

Figure 2 – showing the Menu Options for which you might have reports to print…select any of the menu options that show indicators (or arrows) in order to print your report for that particular item… 114

The following is a brief description of some of the reports: ***Transmission Confirmation***: This report is received after every transmission to the LMS TAX Pro Computer Center. Compare this report to your list of returns transmitted to verify they have been received by LMS TAX Pro. ***IRS Acknowledgments***: This is your list of acceptances and rejections from the IRS. Reject codes are listed for the returns that rejected. Use these codes to locate the error in the return and prepare it for retransmission. ***State Acknowledgments***: This is your list of state acknowledgments for your electronic state returns. ***Bank Authorizations***: This is a list of check print authorizations received from the bank. A list of rejection codes will be printed for any clients who have been declined by the bank. Consult your bank manual for an explanation of these codes. ***Bank Fee Deposits***: This is a list of your fees that the Bank has deposited into your account. ***Bank Funded/Bonus Approvals***: This is a list of IRS deposits received by the bank for your RAL's and Bonus Checks. ***Unfunded Report***: This report lists RAL's and Bonus accounts that have not been funded by the IRS. If an IRS payment is more than seven days past the expected funding date, it is your responsibility to investigate and determine why the account has not been funded. If you find that the IRS will mail the client a check, contact the client and advise him/her that they must bring the IRS check to you and make it payable to Bank One. If they fail to do this, they will not be able to receive a RAL in future years. If the account was funded for less than the loan amount, advise the client to contact Bank One and setup a payment plan for the outstanding loan balance. ***Message Center***: LMS TAX Pro will send periodic messages announcing updates and/or the latest information from the Bank or IRS. If you receive a message, it will be displayed on the screen when you have completed your transmission. Use this option to view and print the message. ***Additional / Old Reports***: This will allow you to reprint all of your IRS acknowledgments or the IRS acknowledgments for a specified date range.

After selecting the marked Menu Options to print the reports, each report will be automatically sent to your printer, and the indicators will clear.

7-12 Accepted Returns… You will receive various reports from LMS TAX and the IRS. When you receive reports, a screen prompt advises you that there are reports to print. Select Print Reports from the Indirect Main Menu, or the Direct Electronic Filing Menu. The reports to print are marked on the Print Menu. One such report will be a listing of your accepted electronically filed tax returns. **Mail Form 8453:** If you and your client chose NOT to use the Self-Select PIN option for electronic filing, you will need to mail the Form 8453. When the return is accepted and the DCN has been entered on the Form 8453, mail it to the IRS. You have 24 hours after the return is accepted to mail the Form 8453. ***7-13 Rejected Returns…*** From time-to-time, you will file electronic returns that will be rejected by the IRS. This may be due to anything from incorrect Social Security numbers, to incorrect birth dates for dependents, to incorrect spelling of last names. If your return rejects, your first task is to interpret the IRS Reject Code, and then correct the return. After the information on the return has been corrected, you may electronically resubmit the return up to **five more times** before you must mail a paper copy to the IRS. More often than not, you will see more than one Reject Code on a report for a rejected tax return. A good portion of the time, if you are able to correct the first Reject Code, this will take care of the others, as well. However, this is not always the case.

Remember, **if you correct a rejected tax return**, and you are ready to submit the return again, **DO NOT use the 'Retransmit'** option in the LMS TAX Pro electronic filing menus. You will need to start with option **(1)Transmit Electronic Return(s)** from the Indirect Main Menu, or the Direct Electronic Filing Menu, and ADD the corrected return to the Transmission Table.

7-14 Checking Client Status… To check the return status of a client or to follow up on a Bank check, select Client Status from the LMS TAX Pro Main Menu, or you can simply RIGHT-CLICK on most any screen while in the program. Type in the Client's social security number and press the <Enter> key. At the top of the Client Status menu you will notice the taxpayer's personal information along with pertinent information regarding the return. Below the personal information is a list of nine (6) tabs. The **Summary** tab contains most of the information you will need to know about your client. After the Transmission Summary, the next item listed on the Summary Tab is the IRS Code. The IRS Code will display either Accepted or Rejected after the return has been acknowledged by the IRS. Next to the IRS code is the Debt Code. If the taxpayer owes the government or any other financial institution money, the Debt code will appear with FMS debt or IRS debt. If the Debt Indicator shows up, then your client will need to call the appropriate phone number (found in the Help Center) to clear up any fees or past due balances to the appropriate agency. 117

The rest of the information on the Summary tab lists bank, refund, and fee information. Only bank product users will have the Bank Code filled in on their client status if a Bank Product has been created for the return. The ―Bank Code‖ will display one of four possible messages: Approved, Rejected, Countered, or Switched. Approved or Rejected means that the bank has either approved the Bank Product or Rejected the Bank Product. ―Switched‖ means that the bank has switched your client from a RAL (the 24-hour product) to a Bonus (10-14 day refund). You may see the word, ―Countered‖ appear when the bank is only going to give your client part of their refund as a first check. The bank will then send a second check once the IRS has made a deposit. **Please note that LMS TAX Pro has absolutely NO Control over a RAL Bank" s decisions. If you have any questions or problems regarding your client" s refund, you will need to contact your RAL bank for further assistance.** Also notice the ―Earliest Possible Deposit‖ field. If your client chose to do a bank Bonus product, **he or she will not receive a check until this date – at the earliest**. Generally it takes from ten (10) days to two (2) weeks before a bank bonus check will be ready for your client. If you need to check your fees or see the federal and state refund amount, that information is located in the ―Fee Summary‖ and ―Refund Summary‖ section. One other tab on the Client Status Screen that will be of importance to you is the ―State‖ tab. All of the information regarding State returns can be accessed by selecting this tab (State that was E-filed, date of acknowledgment, and Acceptance or Rejection). **Also note that if you are preparing a tax return and a client calls to check the status of his or her refund, you can click the ―Client Status‖ icon the top of the 1040, or simply right-click on most any screen in the program. Type in the client's SSN to view. **You do not have to exit the current return to look at the status of another return.**

7-15 Federal Reject Codes…

Clicking the ―IRS Reject‖ icon found at the top of your computer screen (from any LMS TAX Pro menu) will open the **Federal Reject Code Finder**. From your Acknowledgment Report, enter the Reject Code number. Click the ‗Submit' button, and the description for the Reject Code will appear. 118

7-16 State Electronic Filing…

To electronically file most state returns in LMS TAX Pro, it is simply a matter of marking the state return for electronic filing and then allowing the state return to ―piggyback‖ along with the federal e-file transmission.

Within the Main Menu of each state program will be an **Electronic Information Menu**. Access this option to mark the state return for e-filing.

…Click **Send State Return through Bank** to have your Loan Bank process the state refund… Click on the **Type of Electronic Return** to change from Electronic Mailed Check to Direct Deposit… 119

7-17 E-Filing State-Only Returns… **Under most circumstances, a client" s electronically filed state return will "piggyback" along with the federal portion (both will be transmitted at the same time).** However, there will be occasions when it will be necessary to electronically file just the *state* portion of a tax return, only. To e-file a state-only return in LMS TAX Pro, do the following: ○ From the Main Menu of LMS TAX Pro, select the E-File option ○ If you are set up for Direct Filing to the IRS, you will have the option of Indirect or Direct Electronic Filing ○ Choose the option to Transmit Electronic Returns – you will now be at the Transmission Table ○ Add the client's return to the Transmission Table

○ Left-click in the box in the ―State Only‖ column of the table to place a check in the State Only box – this will tell the software to e-file the state return and not the federal

With LMS TAX Pro, you have the ability in the software to *mark more than one state return* for electronic filing, and you may also transmit more than one state return along with your federal return. 120

CHAPTER 8

Printing Returns

8-1 Using the Print Menu…

There are two ways to print a return. The first way and the most common way is through the Print Menu. To print a return through the Print Menu, you may select the **Print icon** or select **Print**, from the LMS TAX Pro Main Menu. Choose _Individual Returns to Print'. Click on the check box next to the SSN of the client you would like to print, do a ―Search by Last Name‖, or Enter the Taxpayer's SSN. The _Select Print Option' box will appear. Choose how many copies you would prefer. After making the selection, click the OK button. If this is the only return you will be printing at this time, click the _Print Selected' button at the bottom of the client list. The return will be sent to your printer. 122

8-2 Using the View Results Menu…

The second way to print a return in LMS TAX Pro is through the **View Results** menu inside the clients return. From the client‘s **1040 Menu**, select the **View Results** menu. The box that appears lists every form that is associated with this return. You can view and print forms from this menu. To view a form, select the form you wish to view and click OK. To get to the next page of the form, press the page down key on your keyboard. To print the form, click ―File‖ in the top left hand corner and select ―Print‖. Choose ‗Yes‘, when asked if you would like to ―Print this Form‖. To close the form, select ―File‖ and then ―Exit‖ or click the ―X‖ in the top right hand corner of the screen. You can also print the return in its entirety from the **View Results** menu. Select the option, **Print Return**. The **„Select Print Option Box"** will appear. Choose how many copies you would prefer. Click the OK button.

How to Change the Print Options to Suit Your Needs:

Steps to edit a print option:

- Select the **Configuration** Menu.
- Choose **Printer / Copies Setup** and then select **Edit Individual Print Options**.
- You can edit an existing print option by choosing one of the print options listed in the drop down menu. For example select the drop down arrow and choose ―Two Copies Federal and State‖.
- Now adjust the number of forms that you want to print with the return. For example, if you want three invoices to print, double-click Invoice and enter the number 3.

Steps to create a customized Print Option:

- Select the **Configuration** Menu.
- Choose **Printer / Copies Setup** and then select **Edit Individual Print Options**.
- Select the Print Option drop down arrow and choose —Option J‖.

- Delete the words —Option J‖ and change to your own customized Print Option Title (for example – —One Copy W2 Form‖) and press the <Enter> key.

- Now the **number of copies** for the entire list of forms will be defaulted to **zero (0)**.
- Left-click the chosen form(s) and enter how many copies you wish to print when you select the new customized print option.

8-3 Printer Troubleshooting…

The following are a list of the most common printing problems and solutions: Problem 1: When printing a tax return, the forms have strange characters and lines. **Solution**: From the LMS TAX Pro Main Menu, select the **Print Menu**. Choose, **Download Computer Fonts**. A series of yellow bars will appear on your screen. After the fonts have finished downloading, ***re-start your computer***. Once the computer is re-started the strange characters and lines will disappear. 124

Printer Troubleshooting Continued… Problem 2: When printing a tax return, the forms do not have any lines. **Solution**: Same as above...Download Computer Fonts and then ***re-start your computer***. **Problem 3**: The printer will not print tax returns. **Solution**: Make sure the printer is turned on. Check that you have selected your printer inside the printer setup menu – From the LMS TAX Pro Main Menu, select **Configuration**. Choose **Printer / Copies Setup** and then select **Printer Setup**. Make sure your desired printer is displayed for **Type of Tax Printer**. If the printer is selected you may need to re-select the printer again. Click on Type of Tax Printer and then re-highlight your printer. Select OK once you are finished. **Problem 4**: When printing a tax return, I receive an error message stating **―Printer Spooler Error"**. **Solution**: The printer needs to be selected or re-selected. Follow the steps above to re-select the printer.

CHAPTER 9

Check Printing and Bank Products

9-1 Printing a Client's Check… If you have applied to use Bank Products with your LMS TAX Pro software (RAL's, Bonus Deposits, etc.), and you have chosen to print checks in your office, you will need to become familiar with the check printing process. **Important: There may come a time during the Tax Season that your LMS TAX Pro acknowledgments will indicate you have checks to print…however, the menu item for "Check Printing" will not appear in the Indirect Main Menu.** If this is the case, **BEFORE CALLING TECHNICAL SUPPORT**, try the following:

û From the Main Menu, select 'Configuration'…

û Click 'Electronic Filing / Bank Setup'…

ü Click '(2)RAL Bank Setup Menu'…

û Click '(1)Bank Used for RALS'…

û RESELECT your correct bank from the available choices… ü Make certain that the option (in the RAL Bank Setup Menu) for **"Check Printing Handled By"** reads **Tax Office**… ü Return to the Check Printing Menu and you should now be able to print your checks.

Aligning Your Printer BEFORE PRINTING ANY CHECKS, we recommend **PRINTING A TEST CHECK**. This will make sure that your printer is properly aligned, and that the numbers, amounts, and signature print correctly on your check stock. To access the **Check Printing Menu**, begin at the LMS TAX Pro Opening Screen and left-click the option for **E-File**… make sure you are at the **Indirect Main Menu**…next, click the option for **'Check Printing'**… The first option in the **Check Print Menu** allows you to "**Align Printer / Print Test Check**"… …To print your test check, answer YES to the on-screen question, and print your test check on A PLAIN SHEET OF PAPER…then, holding one of your *actual* checks *behind* your printed sheet, hold both up to an overhead light, and make sure that all of the printed figures line up with the correct areas on your check stock. ***The signature should be above the signature line without touching the line, and the amount should print correctly in the box.*** **NOTE:** Another testing option is to make a copy of an actual check on your copy machine, and print a test check using this copy. Again, make sure the amounts and signature line up correctly on the test check. **Orientation of Your Checks in Your Printer:** Regardless of which test option you use, we also recommend printing an "**X**" with a pen or pencil in the *top right corner* of your test page or test check. Carefully observe which way the test check is placed into the printer – face up, or face down – this will help you determine the proper orientation of your checks as you feed the real check stock through the printer. Observe how the test check printed in relation to the printed "**X**" on the page, and you will then be able to tell how to place the real checks in your printer (upside down, right-side up, printed side down, printed side up, etc.). Depending on the model and manufacturer of the printer that you own, most printers are different in the way that they feed paper through the rollers, and also the side of the paper on which they print. This is why you will need to determine how paper feeds through your printer so that you will be able to line up your checks correctly when you are ready to print live checks. If your initial test fails, keep trying until you know exactly which way the checks should be placed in your printer. Knowing the correct alignment for your checks will prevent delays during Tax Season for both you and your clients.

If you decide that your printer needs alignment, you will see the following menu: **Increasing the value of one of the "Line" settings moves the check printing DOWN on the check stock (I.e. changing 48.00 to 49.00 moves the printing *down* one line). Increasing the "Column" setting moves the check printing to the RIGHT on the check stock. Decreasing these settings has the opposite effect.** Below is an example of a blank Bank One / Chase check…

The **signature** should print ***above*** the line, and not cross the line at any point. *Most printers will work without any adjustment*. However, if you need to LOWER the print for one particular area on the check, you will INCREASE the value for that option…to RAISE the print on the check, you will DECREASE the value for a particular option. It may be necessary to experiment with the settings before your check prints correctly. Start out by moving the print by 0.50 lines, and then increase the value if needed.

The check number that will print in this area must match the **pre-printed** number on the check… This top portion of the check is the "Disclosure" area… 128

You should only have to align your printer once for the entire Tax Season. However, if you purchase a new printer during Tax Season, we recommend that you print another Test Check with your new printer to make sure that your checks print properly. **Printing The Actual Client's Check** Once you have picked up your acknowledgments, and **printed your reports** from LMS TAX Pro, you will need to return to the Indirect Main Menu of the program. You will now see that you have a set of indicating arrows pointing to the Check Printing option… …if the arrows appear, select the Check Printing option to open the Check Print Menu…if there are no arrows, then you have no checks to print…

…the Check Print Menu will allow you to Print a Test Check; Void misprinted checks; Print your Check Register; and most importantly, Print Checks for your clients…

Click option **(2)Print Checks** and you will see the following questions: Click ―YES‖ to both questions if the information is correct. If you are ready to print your checks, you will see the following screen: **We recommend that you enter the number "1", and print ONE CHECK AT A TIME until you are thoroughly familiar with the check-printing process.** This will avoid the delay that you will experience if you have to call LMS TAX Pro Technical Support to have your checks "re-hung" for you. As the Tax Season progresses, you will become more comfortable with check printing and you will then be able to print multiple checks. The LMS TAX Pro software will limit you to printing eight (8) checks per batch. 130

The next screen in the check-printing process enables you to input the correct check number from your check stock. **As the screen tells you, MAKE SURE THAT THE CHECK NUMBER ON THE COMPUTER SCREEN MATCHES THE NUMBER IMPRINTED ON THE CHECK ABOUT TO BE PRINTED FOR YOUR CLIENT !!** This will avoid delays in getting your checks to your clients. After entering the check number, and making sure that all is correct, you will see the following screen: Your checks will be sent to your printer…at this point, remove the checks from your printer and examine them carefully for the correct information. Double-check to see that the number PRINTED on the check by your printer matches the number PREPRINTED BY THE BANK on the check stock. A message will appear on your screen which reads, "Click OK After All ( ) Check(s) have Finished Printing"…**wait until you have all checks in hand before clicking 'OK'…** After carefully examining your printed checks, you will be given a chance to reprint a bad check, or carry on and print your remaining checks, if any. **Important: Do not answer the question shown in the screen print below until all checks have printed, and you have thoroughly reviewed each check for accuracy!** 131

9-2 Voiding a Client's Check While Printing Checks… For the sake of this example, we will assume that our check DID NOT print correctly, so we will answer 'NO' to the question from the above screen print…on the next pages we will discuss voiding a check that is **not** correct… …choosing 'NO' brings up the screen shown below… …all checks that were printed in the batch will automatically show up in the list on your computer's screen… …this screen in the program will allow you to place a check in the box for any check that DID NOT PRINT CORRECTLY!! DO NOT PLACE A CHECK IN THE ―VOID‖ BOX IF THE CHECK PRINTED CORRECTLY!! Again, for purposes of our example, we will continue to void the check shown. 132

…If you have checks to void, clicking the ‘OK’ button brings up specific instructions on your screen: …when you click the ―OK‖ button to leave this screen, you will have the opportunity to reprint any checks that you had to void…the process will begin with the question on the screen, “**Are You Ready to Print Checks**”… …follow the on-screen and the Manual instructions under “Printing a Client’s Check”.

9-3 Transmitting Your Check Records to LMS TAX Pro…

Once you are satisfied that all of your checks have printed correctly, you will need to IMMEDIATELY transmit your Check Records to LMS TAX Pro. This will guarantee that you will receive your client fees from the bank.

First, return to the **Check Print Menu**…here you will see an alert that you need to **Send Check Records…**

…you will see a screen similar to the one below…click **—Transmit‖** to send your check records to LMS TAX Pro…you will receive a **confirmation report** stating that Check Records were received…again, ***it is vital to send your Check Records to LMS TAX Pro as soon as possible***, so that your preparer fees can be deposited into your account. 134

9-4 What to Do if You Need a Check Re-Issued…

There may come a time when you inadvertently answer "YES", that your client's check printed correctly, when in fact it did not. To have your checks re-issued (or "re-hung"), so that you may print them correctly, follow these steps: (1) Access the **Check Printing Menu** from the **Indirect Main Menu**… (2) Select option **3. Void Checks**… (3) **Enter the check number to void as given by the RED number on the check…** (4) Answer "YES" to the on-screen question for each voided check… (5) Once you have finished entering the check numbers you wish to void, press the **<Esc>** key… (6) **Send your Check Records** as described in Section 9-3… (7) Write "**VOID**" across the face of ***each*** voided check, using a felt-tip marker, or dark ink pen…

(8) Print the ***Check Rehang Cover Page*** from the Check Print Menu – fill out the requested information on the ***Check Rehang Cover Page*** and fax the completed ***Check Rehang Cover Page*** and the ***voided checks*** to **(706) 868-0263**… attention: **Check Re-Issue Department…** (9) Checks will be re-hung periodically throughout the day. To receive the new checks, choose **Receive LMS TAX Acknowledgments** through the Indirect Main Menu…once the checks have been ―re-hung‖ you will then have the ability to reprint your voided checks. ***If your client misplaces his or her check, or if your client's check is accidentally destroyed***, you will need to fill out and fax the **Check Replacement Affidavit**, which can be found in the Information Booklet supplied to you by your RAL bank. This affidavit will need to be faxed to LMS TAX Pro at (706) 868-0263. ****** Check replacement for a lost or destroyed check will take from 4 to 6 weeks. ******

CHAPTER 10

LMS TAX Utilities

10-1 Reindexing Your Files… All databases need to maintain Index files, which keep your data in proper sorted order. These files are rather delicate, and tend to get corrupted due to external factors, like power fluctuations. Events, like sudden fluctuations, sometimes cause serious problems. Errors may start to creep into your LMS TAX Pro Program, especially when opening a tax return that has already been partially prepared. Reindexing helps to assure that the database files and associated indexes (the means of accessing the files) are kept in alignment. Reindexing helps to clean up “loose ends”. The reindexing feature of your LMS TAX Pro program can be set to run automatically on a daily basis. From the Opening Screen, select Configuration. From the Configuration Main Menu, select Advanced Configuration. By clicking on the option to “Perform Daily Reindex Automatically”, you can toggle this option to ‘YES’ or ‘NO’. We highly suggest you leave this option set to ―YES‖. If you choose not to perform the daily reindex, you will periodically need to select **‘Utilities’** from the LMS TAX Pro Opening Screen, and then select option **(1)Reindex Files**. ***10-2 Backing Up and Recalling Client Data…*** To backup your returns to a Flash Drive (Jump or USB drive), or separate Hard Drive, select the **Utilities Menu** from the LMS TAX Pro Main Menu. Choose ―Backup Returns‖. The program will prompt you select your desired backup drive letter. If you are using ZIP disks or a Flash (Jump) Drive, you will need to know the drive letter that Windows assigns to the drive. Once the correct drive letter is selected, click ―OK‖. If you are using a Network, a message will appear asking if you would like to use the Network Backup Directory or the Data Directory. Choose ―YES‖ to use the Network Backup Directory. If you are not on a network, you will not see this message. All of the clients on your system will now appear in a pick-list. You can select certain clients for backup, or you can backup every client by choosing ―Check All‖ at the bottom of the screen. Click ―OK‖. The selected returns will now be backed up to your disk. Recalling the returns after backing them up is basically the same procedure. To Recall your returns, place the backup disk into the correct drive and select the **Utilities Menu**. Select ―Recall Returns‖. Select the drive letter of your backup disk and click ―OK‖. All of the clients on the disk will now appear in a pick-list. You can select certain clients to recall or you can recall every client by choosing ―Check All‖ at the bottom of the screen. Click ―OK‖. The returns will now be recalled onto your system.

10-3 Conversions from Other Software…

In order to convert your client data from other software companies, we request that you backup your client data to a CD or Jump (USB) drive through your **old program**, and mail the disk to LMS TAX Pro for conversion. We will return the data along with instructions on how to access last year's client data through LMS TAX Pro. Please be sure that we have advanced notice that you are sending your data for conversion, and mail the disk(s) to: *RCS 610 Ronald Reagan Dr. Evans, GA 30809 Attn: "Data Conversion"*

10-4 Backing Up and Recalling Electronic/Receipt Data…

If you use more than one computer in your office for your LMS TAX Pro program, and the computers are NOT connected by a network, you will need to designate one computer as your *Transmitting Computer*. This machine will be used to transmit your returns to the IRS and to LMS TAX Pro by using your internet connection. Your other computers will become *Workstations*. In order to transfer client data from your Workstations to your Transmitting Computer so that you can electronically transmit your clients' returns, you will need to Backup your Electronic / Receipt Data from your Workstations and Restore the Electronic Data to your Transmitting Computer. To do this, select **'Utilities'** from the LMS TAX Pro opening screen. Select **Advanced Utilities**. Select option **'(3)Backup Electronic/Receipt Files'**. You will be prompted to insert a disk into your computer's backup drive, and the electronic files will be copied. Then, remove the disk, take the disk to your Transmitting Computer, select **Utilities – Advanced Utilities**, and then choose option **'(5)Restore Electronic/Receipt Files'**. If this is the first time that these particular returns are being transmitted, they will automatically show up in your LMS TAX Pro Transmission Table. If they do not automatically show up, you may add them to the Transmission Table as described in *Chapter 7-4.*

10-5 Removing a Client's Return…

Another important option found in the **Utilities Menu – Advanced Utilities** is that of **Removing an Individual Client.** By choosing this option, you will be prompted for the client's Social Security number. If you are running a network, you will also be given the following option: By answering "Yes" to this question, the tax return for this client will be totally removed from your LMS TAX Pro system.

10-6 Married Filing Separate vs. Married Filing Joint Comparison…

If you are filing a return for a married couple, you have a choice of filing status: married filing jointly or married filing separately. To be sure that your clients pay the lowest tax, you may want to figure the return both ways. *It's usually advantageous for a married couple to file jointly.* However, *if the husband and wife's incomes are about the same*, they may end up paying more in taxes by filing jointly than separately. Of course, this also depends on the rest of the information entered on the return. The **"Quick MFJ vs MFS Comparison"** option of the **Utilities Menu** allows you to enter the basic income, adjustment, and credit information for a client so that you can tell at a glance whether it would be more advantageous to file a Married Filing Joint or Married Filing Separate tax return. If the income levels of a taxpayer and spouse are fairly close together, you may wish to enter your clients' information into the Quick Comparison in order to find the best filing status for your clients. A question that comes up every year is one about changing the tax return to file separately as a married couple after your clients have filed a joint income tax return. The usual reason is that your clients discover that they would have received a larger refund if they had done so. Unfortunately, once the **due date** of the return has passed, **they can't change a joint tax return to married filing separate returns**. That's the law. They CAN change the returns before the due date, but not after.

10-7 Quick Calculation…

The **"Quick Calc"** option in the **Utilities Menu** allows you to quickly input basic information for a client in order to closely estimate an amount of refund or balance due. The **Quick Calc** option is recommended for simple returns only, and should be used only to "get a feel" for what your client will expect when the actual tax return is prepared. Most preparers use the **Quick Calc** during a preliminary client interview to determine whether or not the client actually wants to have the tax return prepared at that time. One point to keep in mind is that the **Quick Calc** is a separate module from the LMS TAX Pro 1040 Program. *The 1040 program will not pull any basic client information, or income information, that has been entered in the Quick Calc module*. **You will need to enter this information into the 1040 program for calculation of the actual tax return.**

10-8 Sending a Corrupt (or Questionable) Return to LMS TAX Pro…

At some point during the Tax Season, you may have the need to send a "Corrupt" tax return to LMS TAX Pro Technical Support for clarification or discussion. Transmitting a "Corrupt" file (tax return) is simply a means of allowing a LMS TAX Pro Technical Representative to copy a questionable tax return onto his or her computer so that you may discuss the return over the phone. You may be having a problem with the calculation of a certain line on the Federal 1040 or the State Return, or you may have a specific question concerning a particular client's return. "Corrupt" does not mean that your file is infected with a virus, or harmed in any way. *Designating the return as a "Corrupt" return protects the return from being inadvertently transmitted to the IRS by LMS TAX Pro personnel.*

The LMS TAX Pro Program has an option in the Utilities Menu to **transmit a corrupt return** to the LMS TAX Pro Support Team. To send a corrupt return, complete the following steps:

1. Select the option for **"Send Corrupt Return to LMS TAX Pro"** from the **Utilities Menu**…

2. Enter the Social Security Number of the primary taxpayer on the questionable return…

3. The following question will appear on the screen – answer YES

4. Click the ―Connect‖ button to send the return to LMS TAX Pro

10-9 Repairing Database Files… During a busy Tax Season, you may have need of recalling clients from your LMS TAX Pro backup files. In doing so, you may encounter error messages indicating that the backup data has become corrupt. This backup data can be fixed by choosing option **(8) in the Utilities Menu**, **"Repair Corrupt Database Files"**. Within the **Repair Menu**, option number one (1) will allow you to repair your **Backup Database.** 140

CHAPTER 11

Amended Tax Returns **Steps for the Federal 1040X 11-1** 141

11-1 Steps for the Federal 1040X… The 1040X Module in the LMS TAX Pro Program is designed to quickly produce a Federal and State Amended Return. **QUICK STEPS TO PRODUCING A 1040X FOR YOUR CLIENT:** (1) Open the Client's Return (2) Select **Miscellaneous** or use the **Form Finder** to select the **1040X** (3) Select **Edit 1040X Menu** (4) Select the Tax Year to amend (5) Click on **Original Column –** data is pulled to the Original Column of the 1040X (6) **Exit all the way back to Client's 1040 Screen** (7) Select the **State Return** (if there is one) (8) Select Amended Return for the state and follow steps (4), (5), and (6) (9) **Make the necessary changes to update the tax return** (add W-2's, dependents, etc.) (10) Return to the 1040X Menu for the Federal (11) Click on **Corrected Column** – the computer will now pull the corrected data and perform the needed calculations (12) Return to the 1040X Menu for the State Return (13) Click on **Corrected Column** – the computer will now pull the corrected state data and perform the needed calculations (14) **Print the 1040X**

The Following Steps Explain in Detail How to Use Your LMS TAX Pro Program to File an Amended Return for the Current Tax Year or as far back as 5 Years. Step 1. From the LMS TAX Pro Main Screen, select **Tax Returns**. Double-click your client's return, or simply enter the Social Security number of the client whose return you wish to amend. Step 2. From the **Client's 1040 Screen,** select **Miscellaneous, or enter 1040X in the Form Finder**. Select **Amended Return (1040X)**. Select **Edit 1040X Menu**. Select the year of the Amended Return to be processed and then select #1 **Original Column**. Click "**OK**" to Exit. The software has now automatically filled in data for the O*riginal Column* of the federal amended return.

Step 3. Continue to press <ENTER> (or click # 0 to Exit) until you have returned all the way back to the **Client's 1040 Screen**. Step 4. If there is a State Return present, or if you need to amend the State Return also, select option **(10)State Return**, from the **Client's 1040 Screen**. **Each state menu is a bit different**, but all state menus should have an option for **Amended Return** located toward the bottom of the main state menu. Step 5. Select the year of the State Amended Return to be processed and then select **Original Column**. Now click "**OK**" to Exit. The software has now automatically filled in data for the *Original Column of the amended state return.* **Note:** Some states only allow an Amended Return for the current Tax Year…if this is the case, you will not be given an option to choose a tax year…also **if you have data already present in the Original Column,** you will be asked if you wish to *"continue to pull information to the Original Column"*. Step 6. Continue to click the menu options to **—Exit"** until you return to the **Client's 1040 Screen**. **Now you may update the tax return with the new information provided by the client** (new W-2's, Filing Status, Dependent Information, Additional Deductions, etc.) …enter this information by choosing the appropriate menu options from the Client's 1040 Screen. Step 7. **Once the new information has been entered**, return to the **Client's 1040 Screen**. Next, re-access the **Amended Return, and the Edit 1040X Menu**. Once again, select the year (which should already be flagged by a double-set of small arrows), and now select the option for **Corrected Column**. Step 8. You will now be at the **Edit Form 1040X Menu**. Here, you may click on menu option **(4) Part II – Explanation of Changes**. Once you have typed in your explanation, click the "OK" button and return to the Form 1040X Edit Menu. Exit the 1040X Edit Menu. Step 9. You will now be at the **Form 1040X Menu**. Option (3) allows you to **View and/or Print the Form 1040X**. You may print the Federal 1040X now. *The Federal 1040X is now complete*. Step 10. You will need to access the **State Amended Return**, pull the data to the **Corrected Column**, as in the Federal Amended, and then **print** the State Amended Return. **Note: You should manually verify that any overpayment made with the original return or refund from the original return is correct. You should also verify that any changes made to dependent information has been updated.** 143

CHAPTER 12

Pulling Prior Year Data

12-1 How to Pull Prior Year Data…

When a client from last tax season comes into your office to have this year's tax return prepared, your LMS TAX Pro Program gives you the option of pulling the client data forward from last year. When you enter the Social Security Number of the Primary Taxpayer, you will see the following question appear on the screen: Answering "Yes" will pull forward all of the client information from last year's tax return. This includes filing status, dependent information, W-2 and employer information, itemized deduction information, Schedule C information, and so on. **LMS TAX Pro does not pull last year" s data from all clients all at once. The data is pulled only when you enter an individual primary taxpayer's Social Security Number from last year into the 1040 program. You must also choose to answer "YES" to the question to use the information from last year.**

12-2 Prior Year Path Settings…

If you were a LMS TAX Pro user last year, and if your Prior Path is set correctly within your Path Menu (**Configuration -> (7) Path Menu -> (6)Prior Path**), all of last year's data for the return you are working with will pull forward. If you have trouble pulling information forward in your LMS TAX Pro software, **try the following before calling technical support:**

▪ From the LMS TAX Pro Opening Screen, select **'Configuration'**, and then **'Path Menu'**… ▪ In the **'Prior Path'** option of the Path Menu, first make sure that the correct drive letter is present. This will be the hard drive of the computer that contains last year's data…for example, **C:\LMS TAX\2007\07RCSD1**, where **"C"** is the drive letter on which last year's LMS TAX Pro program is loaded… ▪ Next, if you used LMS TAX Pro last year, the directory listed after the letter of the hard drive should be **'LMS TAX\2007\07RCSD1'**… ▪ If you are converting from another tax software, the path directory should be '**07RCSCNV**', and **NOT** the Data Path of the other software package.

▪ If you are on a network, the path directory should be **„C:\LMS TAX\2008\07RCSNET"** 145

CHAPTER 13

Using LMS TAX Pro on a Network

13-1 Network Overview… **LMS TAX Pro Network** Setting up the LMS TAX Pro Network takes only a few moments if your office network is already working properly. **Please note that if your office network is not properly setup in Windows, our LMS TAX Pro technicians will NOT be able to assist you in setting up the LMS TAX Pro Network. You will need to contact your network administrator, local computer company, or network company for assistance if your computers are not communicating with each other through your Windows environment.** Also note that LMS TAX Pro operates in a ***peer-to-peer*** environment, which means that **the program must be installed on each computer from the CD**. ***Do not install the program on a file server and then distribute the program to each workstation.*** **LMS TAX Pro Network Terminology: Transmitting Computer**: the transmitting computer is the computer that you will use to prepare and transmit returns to the IRS. The transmitting computer will store all of the tax returns completed on this computer and returns completed on the workstations in a folder called **08NETBCK**. You may hear LMS TAX Pro technicians refer to this computer as the *Communications Server*. **Workstation Computer**: the workstation computer is a computer used only to prepare returns. This computer **does not** transmit returns to the IRS. Once a return has been started on a workstation and then backed up to the network (this is done automatically) the transmitting computer and all of the other workstations will be able to view and work on this return. The workstation computers will "map" to the transmitting computer. **Layout the Network** Before setting up the Network it helps to draw a diagram of your LMS TAX Pro Network. Identify the Transmitting Computer and Workstation(s). Note that all of your workstations computers will be mapped to the transmitting computer. Determine what network drive letter you will be using. We recommend using **N:** if it is available.

Note: The Transmitting Computer does not have to be the Office File Server.

Transmitting Computer

LMS TAX Pro

installed on

Drive C:

N:

N:

N:

Workstation Computer

(LMS TAX Pro installed on **Drive C:)** *Workstation Computer* (LMS TAX Pro installed on **Drive C:)** *Workstation Computer* (LMS TAX Pro installed on **Drive C:)**

13-2 Networking Setup…

Follow these steps below to setup the LMS TAX Pro Network: **Transmitting Computer Setup Step 1:** Make sure the Transmitting Computer can "see" (is communicating in Windows) all Workstations across the network and that the LMS TAX folder is **Shared**. **Step 2:** Install LMS TAX Pro on all computers that will be accessing the program. **Step 3:** Set the System / Network Configuration Menu on the Transmitting Computer to reflect the use of a network as displayed below. (The System Network Configuration Menu is located in the Configuration Menu.) **The Transmitting Computer's**

System / Network Configuration options should be answered as follows:

û Are You Using a Network? (YES)

û Transmitting Computer? (YES)

û Electronic Drive (This is the local drive on the Transmitting computer where LMS TAX Pro is Installed)

ü This Computer's Network Name (This is the Network ID of the Transmitting Computer)

û This Computer's Workgroup Name (The correct name of your Windows Workgroup)

û Backup/Recall Returns (YES)

û Share LMS TAX Pro to the Network? (This will share the LMS TAX program folder on your hard drive)

We highly recommend that you select the option to _Print the Network Setup Instructions'. **You will need these instructions to complete the network setup.**

Workstation Computer Setup

Step 4: Set the System Network Configuration Menu on the Workstations to reflect the use of a network. **The Workstation Computer should resemble the following:**

û Are You Using a Network? (YES)

û Transmitting Computer? (No)

ü Electronic Drive (This is the drive letter used to map to the ―C:‖ drive of the Transmitting Computer – for example, ―N:‖)

ü This Computer's Network Name (This is the Network Name of the Workstation Computer)

û This Computer's Workgroup Name (The correct Windows Workgroup for your network)

û Backup/Recall Returns from the Electronic Drive? (YES)

Workstation Computer Configuration: Step 5: On the Workstation Computer select Electronic Drive. A box will appear asking you to **'Please Select a Drive'**. On the instructions that printed from your Transmitting Computer look for a box in the middle with a name and a drive letter. *Does that name and drive letter match anything listed in the box?* If yes, then highlight it and click OK. If No, select **'Transmitting Computer Not Found Above'**. **Step 6:** The **Network Utility Box** will appear. Look at the instructions again and focus towards the bottom of the page. The box on the instructions resembles the box on your computer screen. Put the same information in your computer that is listed on the set of instructions by clicking the drop-down arrows.

Use drive letter **N:** if it is available for number 4, '**Connect to Transmitting Computer As**'. If not, choose another drive letter. Click Connect once you have entered the information. You should see a message stating "Drive Mapped Successfully" appear on the screen. If so, you have successfully set up your LMS TAX Pro network. If you received a message stating "Error Mapping Drive" refer to the Network Troubleshooting Section. **Step 7:** Complete each of the previous steps beginning with Step #4 for each of the other Workstations in your office.

Click the drop-down arrow and enter **N:** as the connecting drive letter (if available)…then, click the Connect button

13-3 Network Troubleshooting…

If you are having trouble setting up your LMS TAX Pro Network, look at the following situations: **Situation 1 – The Transmitting Computer cannot be mapped from the Workstation Step 1**: Make sure the Configuration has been set up correctly on both the Transmitting Computer and the Workstation Computers. Refer to the Network Setup instructions to see the correct settings. **Step 2**: Make sure all of the computers on the network are turned on, especially the Transmitting Computer. **Step 3**: Check your Network Connections. Make sure the Workstation Computers can "see" the Transmitting Computer. You can check this by following the steps below: **1**. From one of the Workstation Computers, click the START button and click **„Network** "or '**Network Places**' (depending on your operating system). **2**. An icon for your Transmitting Computer should appear on the screen – if not... **3**. Double-click on the word '**Entire Network**' and then double-click on **'Microsoft Windows Network'**... **4**. Double-click on your Workgroup Name (probably *MS Home*) **5**. An icon representing your Transmitting Computer should now appear. (Note: For XP users you may have an option on the left-hand side that reads '**View Workgroup Computers**', if so click on this option. All of the computers on the network should appear.) **6**. Double-click on the icon for the transmitting computer to verify that you can access that computer from this Workstation. If you can access that computer a list of folders and files should appear on your screen. 7. If you do not see the Transmitting Computer or if you get an error message when you double-click on the Transmitting Computer's icon, move to another Workstation and repeat steps (1) through (6). 8. If you are still unsuccessful, you will need to check all of your network settings, computer hardware, and cables to make sure everything is in working order. If you need assistance in doing so you will need to call your local computer or network company to get your network set back up. **Please note that if the computers on your network cannot "see" (communicate with) each other in your Windows environment, LMS TAX Pro technicians will not be able to assist you in setting up your LMS TAX Pro Network.**

Situation 2 – Errors mapping the Transmitting Computer's hard drive

If the Workstation Computer can "see" the Transmitting Computer and you can double-click on the transmitting computer and access its hard drive, but you are still having trouble with your LMS TAX network, try the following: **Step 1**: Make sure the LMS TAX folder is shared on the Transmitting Computer. Double-click 'My Computer' and find the C: drive (if the C: drive is where you installed the LMS TAX Pro software). Locate the LMS TAX folder…if the folder has been shared you should see a small hand underneath the folder. If you do not see a hand or if you see a hand and your operating system is Windows XP, follow the procedure below: Open LMS TAX Pro and select **Configuration** and then **System Network Configuration Menu.** If you have Windows Vista, XP Home or XP Professional, select **Share LMS TAX Pro to the Network?**. For the network to work properly the LMS TAX Pro folder must be fully shared if you are using Windows XP. After going through these steps, you may need to re-select your **Electronic Drive** on the Workstation Computer. On the Workstation Computer, select **Configuration** and then **System / Network Configuration Menu**. Select **Electronic Drive**. If the drive letter that you used to map over to the Transmitting Computer is present, highlight the name and click OK. If the drive letter is not present, select ―Transmitting Computer not found above‖. For more information on this process, check out the Workstation Computer Setup instructions that are located in the Network Setup Instructions. 151

CHAPTER 14

The Reports Menu

Client Reports 14-1 Master Reports 14-2 152

14-1 Client Reports… To print a Client Report within LMS TAX Pro, select (9), **Reports** from the LMS TAX Pro Main Menu. Now select **Client Reports**. This will bring you to a list of over 50 different reports that can be tailored to suit your specific needs. To run a report, place a check mark in the box next to the report you would like to see. For example, to see a report on clients who have an upcoming Birthday, place a check mark next to Personal – Birthday. Type in a month and day or the reporting period you would like to start with. Press the <ENTER> key and type in the ending month and day of the report. Now look down at the bottom of the page where it reads **Generate Report Type**. Click on the drop down arrow and select **View/Print Report**. Next, click the **View Report** button – A message will appear telling you how many clients were found in the selected reporting period. Click OK. The report will display on the screen. To print the report click on 'File' in the top left hand corner and then 'Print'. To close the report, click the 'X' in the top right hand corner. 153

14-2 Master Reports… To print the Master Report within LMS TAX Pro: Select **Reports** from the LMS TAX Pro Main Menu. Choose **Master Report**. Inside the Master Report menu, choose **Specialized Reports**.
Selecting **Specialized Reports** brings up the **Specialized Master Report Menu**
You can customize the Master Report by clicking on: **Type of Client Return**, **Client Payment Status**, **Preparer** Number , **Date** from when the return was completed, and the **Type of Master Report**: *Detailed, Secure, Summary, or Mailing Labels* for those selected clients. Example: To see a complete detailed list of all of your clients, enter the Date from ―01/01/2009‖ to ―12/31/2009‖. This will capture all of your clients for the year. Next, choose ***Detail*** for the **Type of Master Report**. When you are satisfied with the selections, choose **Print Master Report Using Above Info**. This will print the report with all of the information you have selected. 154

CHAPTER 15

The Client Organizer

15-1 The Client Organizer (Pro Forma)… A Pro forma (or Client Organizer) prints pages of information that follow the IRS forms, but in a format that is more readable for your clients. Another major feature of a Pro forma (Organizer) is that it contains data from the previous year and a column to enter the current year's data. These can be mailed or used internally for year-end planning, input sheets, etc.

To begin the process of entering your client's data in the Client Organizer, click Print from the LMS TAX Pro Main Menu. You will now be at the LMS TAX Pro Print Menu: Selecting **Print Organizer** takes you to the **Organizer Menu**. **The Client Organizer Main Menu:** When you select **Print Blank Organizer**, a 17-page Client Organizer is sent to your printer. A blank Organizer is designed to be given to taxpayers who have no prior year data produced by LMS TAX Pro software. If you have clients entered into a previous year's version of LMS TAX Pro, the Client Organizer is designed to pull client data into this year's Pro forma. You may then mail the Pro forma to your clients before their visit to your office. This will save time for you and your client, and help your client with some preliminary planning before the preparation of the tax return. To print an Organizer for your client, select **Print Organizer for Selected Clients**. Select the client for whom you want to print the Organizer and click OK. The Organizer will be sent to your printer. If you encounter any problems pulling in last year's client data, do the following: - Return to the LMS TAX Pro Main Menu - Select **Configuration** - From the **Configuration Main Menu**, click on the **Path Menu** - Make sure the option for **'Prior Path'** is pointing to the hard drive on your computer that contains last year's program data…for example, 'C:\LMS TAX\2007\07RCSD1'.

CHAPTER 16

Business Returns

16-1 Completing a Business Return…

To access the Business Program, select **Business** from the LMS TAX Pro Main Menu. **If you have downloaded and installed the Federal Business Installation from the Updates Menu** (as well as any current Federal Business Updates) you will be at the *Business Main Menu*. To begin a Business return select the type of return you wish to complete: either 1120, 1120S, 1065, 1041, 990, 706, or 5500. Enter the Employer's ID Number (EIN) and begin filling in the company's basic information. After filling in the company's Basic Information, the program will take you to the Heading Information Menu. You can adjust any information entered from this menu. Upon exiting the Heading Information Menu you will be at the Business Return Main Menu. Notice that the layout of each menu corresponds to the layout of each business form. Choose the appropriate menus to enter the company's information. **E-Filing**

You can e-file forms 1120, 1120S, 1065, and 990. Before doing so, please read the chapter entitled Business E-File Overview to make sure you are setup to e-file business returns. If you will be e-filing the return there are several entries that must be complete before the return can be e-filed. You must enter a **company officer** as well as the officer's **title**. These are located in the Heading Information menu under Name and Address. You must also enter a **Business Code**. The Business Code is located in the *Schedule K* menu. Once these items are entered, select **Mark Return Electronic** from the MAIN SCREEN of the tax return. The next step is to enter the Corporate Officer's PIN, Signature Date, and the PIN Authorization. This will fill in the information for form 8879-C or -S depending on which business entity you are filing. The 8879-C and -S are similar to the individual form 8879. You are required by the IRS to keep these forms on file for three years. The 8879's do not have to be mailed to the IRS. Print and have the officer sign the 8879-C (-S). Be sure to mark the return ―Complete and Ready for Transmission‖.

For information on transmitting the return, read the chapter entitled E-Filing Business Returns.

Printing To print the Business return, select **Print Business Returns** from the Business Main Menu. Select the return to print from the list. Continue with the print options just as you would with an individual return. ***16-2***

Business E-File Overview…

Before you can E-file business returns you must first update form 8633, Application to Participate in the IRS E-file program. You must indicate on the form that you will be filing business returns. The IRS will not accept your business returns until this is complete.

You may call 1-866-255-0654 or sign up for e-services at http://www.irs.gov/taxpros/article/0,,id=109646,00.html to update form 8633. **If you plan on e-filing business returns, there is a file that you must install** on your *transmitting computer*. The file is called **MSXML 4.0 for Business E-file**. To install this file select the **Business Utilities Menu** located inside the **Business Main Menu**. Select **'Install MSXML4.0 for Business E-file'**. Follow through the steps by selecting ―Next‖ and then ―Finish‖. Once you select ―Finish‖, the file will be setup on your computer and you will be ready to e-file business returns.

Install *MSXML 4.0* from the Business Utilities Menu before trying to e-file your Business Returns…

16-3 E-Filing Business Returns…

To e-file business returns, you must be in the Business Main Menu. Once the return has been marked ready to transmit the return will show up in the business transmission table. **Step 1:** Select **Electronic Filing Menu** from the **Business Main Menu** to enter the **Business Electronic Filing Main Menu**. Select **Transmit Electronic Return**. The returns that are ready to send will be listed in the transmission table. A check mark will already be in the box indicating that the return will be sent to the IRS. If you do not want to send the return, simply uncheck the box. If you need to re-send a return that has rejected and is not listed in the table, select Add Return. Enter the EIN of the return to add. The return will appear in the table. **Step 2:** When you are ready to transmit the returns, select Send Returns. A message should appear advising that the returns ―passed all tests‖. Click OK. **Step 3:** The ―Transmit/Receive from LMS TAX Pro‖ screen will be displayed. Make certain your Internet browser is up and running if you have a dial-up Internet Connection, (Broadband users do not have to have the Internet browser open). Click on the Connect button. In the white box, you will see a description of each action taken through the transmission process. When prompted, click on the Exit button. **Step 4:** You will see a message that reads ―You Have Reports to Print!‖ From the Electronic Filing Main Menu, select item **3.Print Reports**. Each report you need to print will be marked with an arrow next to the report. As a minimum, you will have a **Transmission Confirmation** report. This report will list the returns you just transmitted. Keep this report until you receive an acknowledgment for the return. ******IMPORTANT****: If you DO NOT receive a Transmission Confirmation Report, your returns WERE NOT TRANSMITTED to LMS TAX Pro. You will need to re-send your transmission!!**

The returns will be processed by the IRS and acknowledged usually in 24 hours. The IRS does, however, reserve the right to wait 48 hours before giving an acknowledgment for the return. 160

16-4 Receiving Acknowledgments for Business Returns…

If returns are transmitted first thing in the morning, it is possible to have acknowledgments for those returns the same day. However, it generally will take 24 hours for an acknowledgment or even up to 48 hours in certain circumstances. To receive acknowledgments follow the steps below: **Step 1:** On the Transmitting Computer, select Business from the LMS TAX Pro Main Menu. Choose **Electronic Filing Menu** and then select **Receive Acknowledgments**. **Step 2:** The ―Transmit/Receive from LMS TAX Pro‖ screen will be displayed. Make sure your Internet browser is up and running if you are using a dial-up Internet connection. Click on the ―Connect‖ button. In the box, you will see a description of each action taken through the retrieval process. When prompted, click on the ―Exit‖ button. **Step 3:** You will see a message that reads ―You Have Reports to Print!‖ From the Electronic Filing Main Menu, select **Print Reports**. Each report you have to print will be marked with an arrow next to the report.